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KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Forty-ninth Legislature
Seventh Special Session
2010

CHAPTER 12

HOUSE BILL 2012

AN ACT

AMENDING SECTIONS 5-504, 5-522, 5-554, 5-572 AND 5-804, ARIZONA REVISED STATUTES; AMENDING TITLE 6, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 16; AMENDING SECTIONS 9-626, 15-1682.03, 28-4802, 28-5808 AND 28-6543, ARIZONA REVISED STATUTES; REPEALING TITLE 28, CHAPTER 24, ARTICLE 1, ARIZONA REVISED STATUTES; AMENDING SECTION 36-274, ARIZONA REVISED STATUTES; REPEALING SECTIONS 41-175 AND 41-502, ARIZONA REVISED STATUTES; PROVIDING FOR THE DELAYED REPEAL OF TITLE 41, CHAPTER 3, ARTICLE 1, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-2306, 42-1004, 42-1114, 42-1118, 42-1125, 42-1129, 42-1151, 42-1152, 42-1153 AND 42-1201, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 1, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-1207; AMENDING SECTIONS 42-2003, 42-2066, 42-5014, 42-5029, 42-5070, 42-5073 AND 42-5074, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 4, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 43-418 AND 43-419; AMENDING SECTIONS 43-581, 43-582, 48-5103, 48-5104 AND 48-5314, ARIZONA REVISED STATUTES; MAKING APPROPRIATIONS; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 5-504, Arizona Revised Statutes, is amended to
3 read:

4 5-504. Commission; director; powers and duties; definitions

5 A. The commission shall meet with the director not less than once each
6 quarter to make recommendations and set policy, receive reports from the
7 director and transact other business properly brought before the commission.

8 B. The commission shall oversee a state lottery to produce the maximum
9 amount of net revenue consonant with the dignity of the state. To achieve
10 these ends, the commission shall authorize the director to adopt rules in
11 accordance with title 41, chapter 6. Rules adopted by the director may
12 include provisions relating to the following:

13 1. Subject to the approval of the commission, the types of lottery
14 games and the types of game play-styles to be conducted.

15 2. The method of selecting the winning tickets or shares for
16 noncomputerized online games, except that no method may be used which THAT,
17 in whole or in part, depends on the results of a dog race, a horse race or
18 any sporting event.

19 3. The manner of payment of prizes to the holders of winning tickets
20 or shares, including providing for payment by the purchase of annuities in
21 the case of prizes payable in installments, except that the commission staff
22 shall examine claims and may not pay any prize based on altered, stolen or
23 counterfeit tickets or based on any tickets which THAT fail to meet
24 established validation requirements, including rules stated on the ticket or
25 in the published game rules, and confidential validation tests applied
26 consistently by the commission staff. No particular prize in a lottery game
27 may be paid more than once, and in the event of a binding determination that
28 more than one person is entitled to a particular prize, the sole remedy of
29 the claimants is the award to each of them of an equal portion of the single
30 prize.

31 4. The method to be used in selling tickets or shares, except that no
32 elected official's name may be printed on such tickets or shares. The
33 overall estimated odds of winning some prize or some cash prize, as
34 appropriate, in a given game shall be printed on each ticket or share.

35 5. The licensing of agents to sell tickets or shares, except that a
36 person who is under eighteen years of age shall not be licensed as an agent.

37 6. The manner and amount of compensation to be paid licensed sales
38 agents necessary to provide for the adequate availability of tickets or
39 shares to prospective buyers and for the convenience of the public, including
40 provision for variable compensation based on sales volume.

41 7. Matters necessary or desirable for the efficient and economical
42 operation and administration of the lottery and for the convenience of the
43 purchasers of tickets or shares and the holders of winning tickets or shares.

1 C. The commission shall authorize the director to issue orders and
2 shall approve orders issued by the director for the necessary operation of
3 the lottery. Orders issued under this subsection may include provisions
4 relating to the following:

5 1. The prices of tickets or shares in lottery games.

6 2. The themes, game play-styles, and names of lottery games and
7 definitions of symbols and other characters used in lottery games, except
8 that each ticket or share in a lottery game shall bear a unique
9 distinguishable serial number.

10 3. The sale of tickets or shares at a discount for promotional
11 purposes.

12 4. The prize structure of lottery games, including the number and size
13 of prizes available. Available prizes may include free tickets in lottery
14 games and merchandise prizes.

15 5. The frequency of drawings, if any, or other selections of winning
16 tickets or shares, except that:

17 (a) All drawings shall be open to the public.

18 (b) The actual selection of winning tickets or shares may not be
19 performed by an employee or member of the commission.

20 (c) Noncomputerized online game drawings shall be witnessed by an
21 independent observer.

22 6. Requirements for eligibility for participation in grand drawings or
23 other runoff drawings, including requirements for the submission of evidence
24 of eligibility within a shorter period than that provided for claims by
25 section 5-518.

26 7. Incentive and bonus programs designed to increase sales of lottery
27 tickets or shares and to produce the maximum amount of net revenue for this
28 state.

29 D. Notwithstanding title 41, chapter 6 and subsection B of this
30 section, the director, subject to the approval of the commission, may
31 establish a policy, procedure or practice that relates to an existing online
32 game or a new online game ~~which~~ THAT is the same type and has the same type
33 of game play-style as an online game currently being conducted by the lottery
34 or may modify an existing rule for an existing online game or a new online
35 game ~~which~~ THAT is the same type and has the same type of game play-style as
36 an online game currently being conducted by the lottery, including
37 establishing or modifying the matrix for an online game by giving notice of
38 the establishment or modification at least thirty days before the effective
39 date of the establishment or modification.

40 E. The commission shall maintain and make the following information
41 available for public inspection at its offices during regular business hours:

42 1. A detailed listing of the estimated number of prizes of each
43 particular denomination expected to be awarded in any instant game currently
44 on sale.

1 2. After the end of the claim period prescribed by section 5-518, a
2 listing of the total number of tickets or shares sold and the number of
3 prizes of each particular denomination awarded in each lottery game.

4 3. Definitions of all play symbols and other characters used in each
5 lottery game and instructions on how to play and how to win each lottery
6 game.

7 F. Any information that is maintained by the commission and that would
8 assist a person in locating or identifying a winning ticket or share or that
9 would otherwise compromise the integrity of any lottery game is deemed
10 confidential and is not subject to public inspection.

11 G. The commission, in addition to other games authorized by this
12 article, shall establish two special games for each year to be conducted
13 concurrently with other lottery games authorized under subsection B of this
14 section. The monies for prizes, for operating expenses and for payment to
15 the commerce and economic development commission fund, as provided in section
16 5-522, subsection A, paragraph 2, shall be accounted for separately as nearly
17 as practicable in the lottery commission's general accounting system. The
18 monies shall be derived from the revenues of the special games, and monies
19 for prizes do not become an expense to the lottery commission's annual
20 appropriation as provided in section 5-505, subsection D and section 5-522,
21 subsection J- H. Monies saved from the revenues of the special games, by
22 reason of operating efficiencies, shall become other revenue of the lottery
23 commission and revert to the state general fund.

24 H. The commission, in addition to other games authorized by this
25 article, may establish multistate lottery games to be conducted concurrently
26 with other lottery games authorized under subsections B and G of this
27 section. The monies for prizes, for operating expenses and for payment to
28 ~~the local transportation assistance fund, as provided in section 28-8101, and~~
29 the state general fund shall be accounted for separately as nearly as
30 practicable in the lottery commission's general accounting system. The
31 monies shall be derived from the revenues of multistate lottery games.

32 I. The commission or director shall not establish or operate any
33 online or electronic keno game or any game played on the internet.

34 J. The commission or director shall not establish or operate any
35 lottery game or any type of game play-style, either individually or in
36 combination, that uses gaming devices or video lottery terminals as those
37 terms are used in section 5-601.02, including monitor games that produce or
38 display outcomes or results more than once per hour.

39 K. The director shall print, in a prominent location on each lottery
40 ticket or share, a statement that help is available if a person has a problem
41 with gambling and a toll-free telephone number where problem gambling
42 assistance is available. The director shall require all licensed agents to
43 post a sign with the statement that help is available if a person has a
44 problem with gambling and the toll-free telephone number at the point of sale

1 as prescribed and supplied by the director. The requirements of this
2 subsection apply to tickets and shares printed after July 18, 2000.

3 L. For the purposes of this section:

4 1. "Game play-style" means the process or procedure that a player must
5 follow to determine if a lottery ticket or share is a winning ticket or
6 share.

7 2. "Matrix" means the odds of winning a prize and the prize payout
8 amounts in a given game.

9 Sec. 2. Section 5-522, Arizona Revised Statutes, is amended to read:
10 5-522. Use of monies in state lottery fund; report

11 A. The monies in the state lottery fund shall be expended only for the
12 following purposes and in the order provided:

13 1. For the expenses of the commission incurred in carrying out its
14 powers and duties and in the operation of the lottery.

15 2. For payment to the commerce and economic development commission
16 fund established by section 41-1505.10 of not less than twenty-one and
17 one-half per cent of the revenues received from the sale of two special
18 lottery games conducted for the benefit of economic development.

19 ~~3. Except as provided in subsection F of this section, for payment to~~
20 ~~the local transportation assistance fund established by section 28-8101 of~~
21 ~~not less than nine million dollars, increasing each year that total revenues~~
22 ~~to the state lottery fund increase up to a maximum of eighteen million~~
23 ~~dollars each fiscal year, except that payments pursuant to this paragraph~~
24 ~~shall not increase by more than ten per cent per year.~~

25 ~~B. Of the monies remaining in the state lottery fund after the~~
26 ~~appropriations authorized in subsection A of this section, up to a maximum of~~
27 ~~twenty-three million dollars each fiscal year shall be deposited in the local~~
28 ~~transportation assistance fund established by section 28-8101 and up to a~~
29 ~~maximum of seven million six hundred fifty thousand dollars each fiscal year~~
30 ~~shall be deposited in the county assistance fund established by section~~
31 ~~41-175. Monies distributed pursuant to this subsection shall be in addition~~
32 ~~to monies distributed pursuant to subsection A, paragraph 3 of this section.~~

33 ~~C. Notwithstanding subsection B of this section, if the state lottery~~
34 ~~director determines at the beginning of any fiscal year that monies available~~
35 ~~to cities, towns and counties under this section may not equal thirty million~~
36 ~~six hundred fifty thousand dollars, the director shall not authorize deposits~~
37 ~~to the county assistance fund until the deposits to the local transportation~~
38 ~~assistance fund equal twenty-three million dollars.~~

39 ~~D. B. Of the monies remaining in the state lottery fund each fiscal~~
40 ~~year after appropriations and deposits authorized in subsections SUBSECTION~~
41 ~~A, B and C of this section, ten million dollars shall be deposited in the~~
42 ~~Arizona state parks board heritage fund established by section 41-502 and ten~~
43 ~~million dollars shall be deposited in the Arizona game and fish commission~~
44 ~~heritage fund established by section 17-297.~~

1 ~~E.~~ C. Of the monies remaining in the state lottery fund each fiscal
 2 year after appropriations and deposits authorized in subsections A, ~~AND B, C~~
 3 ~~and D~~ of this section, ~~and appropriations and deposits to the local~~
 4 ~~transportation assistance fund authorized by this section~~, five million
 5 dollars shall be allocated to the department of economic security for the
 6 healthy families program established by section 8-701, four million dollars
 7 shall be allocated to the Arizona board of regents for the Arizona area
 8 health education system established by section 15-1643, three million dollars
 9 shall be allocated to the department of health services to fund the teenage
 10 pregnancy prevention programs established in Laws 1995, chapter 190, sections
 11 2 and 3, two million dollars shall be allocated to the department of health
 12 services for the health start program established by section 36-697, two
 13 million dollars shall be deposited in the disease control research fund
 14 established by section 36-274 and one million dollars shall be allocated to
 15 the department of health services for the federal women, infants and children
 16 food program. The allocations in this subsection shall be adjusted annually
 17 according to changes in the GDP price deflator as defined in section 41-563
 18 and the allocations are exempt from the provisions of section 35-190,
 19 relating to lapsing of appropriations. If there are not sufficient monies
 20 available pursuant to this subsection, the allocation of monies for each
 21 program shall be reduced on a pro rata basis.

22 ~~F.~~ D. ~~Notwithstanding subsection A, paragraph 3 of this section~~, If
 23 the state lottery director determines that monies available to the state
 24 general fund may not equal ~~thirty-one million~~ EIGHTY MILLION SIX HUNDRED
 25 FIFTY THOUSAND dollars in a fiscal year, the director shall not authorize
 26 deposits to the ~~local transportation assistance~~ ARIZONA GAME AND FISH
 27 COMMISSION HERITAGE fund pursuant to subsection A, ~~paragraph 3~~ B of this
 28 section until the deposits to the state general fund equal ~~thirty-one million~~
 29 EIGHTY MILLION SIX HUNDRED FIFTY THOUSAND dollars in a fiscal year.

30 ~~G.~~ E. Of the monies remaining in the state lottery fund each fiscal
 31 year after appropriations and deposits authorized in subsections A through ~~F~~
 32 D of this section, one million dollars or the remaining balance in the fund,
 33 whichever is less, is appropriated to the department of economic security for
 34 grants to nonprofit organizations, including faith based organizations, for
 35 homeless emergency and transitional shelters and related support services.
 36 The department of economic security shall submit a report on the amounts,
 37 recipients, purposes and results of each grant to the governor, the speaker
 38 of the house of representatives and the president of the senate on or before
 39 December 31 of each year for the prior fiscal year and shall provide a copy
 40 of this report to the secretary of state.

41 ~~H.~~ F. Beginning in fiscal year ~~2009-2010~~ 2010-2011, of the monies
 42 remaining in the state lottery fund each fiscal year after appropriations and
 43 deposits authorized in subsections A through ~~G~~ E of this section, and after
 44 a total of at least ~~forty-six million four hundred ninety thousand~~ NINETY-SIX
 45 MILLION ONE HUNDRED FORTY THOUSAND dollars has been deposited in the state

1 general fund, the remaining balance in the state lottery fund shall be
2 deposited in the university capital improvement lease-to-own and bond fund
3 established by section 15-1682.03, up to a maximum of eighty per cent of the
4 total annual payments of lease-to-own and bond agreements entered into by the
5 Arizona board of regents.

6 ~~I.~~ G. All monies remaining in the state lottery fund after the
7 appropriations and deposits authorized in this section shall be deposited in
8 the state general fund.

9 ~~J.~~ H. Except for monies expended for prizes as provided in section
10 5-504, subsection G and section 41-1505.10, monies expended under subsection
11 A of this section are subject to legislative appropriation.

12 Sec. 3. Section 5-554, Arizona Revised Statutes, is amended to read:
13 5-554. Commission; director; powers and duties; definitions

14 A. The commission shall meet with the director not less than once each
15 quarter to make recommendations and set policy, receive reports from the
16 director and transact other business properly brought before the commission.

17 B. The commission shall oversee a state lottery to produce the maximum
18 amount of net revenue consonant with the dignity of the state. To achieve
19 these ends, the commission shall authorize the director to adopt rules in
20 accordance with title 41, chapter 6. Rules adopted by the director may
21 include provisions relating to the following:

22 1. Subject to the approval of the commission, the types of lottery
23 games and the types of game play-styles to be conducted.

24 2. The method of selecting the winning tickets or shares for
25 noncomputerized online games, except that no method may be used ~~which~~ THAT,
26 in whole or in part, depends on the results of a dog race, a horse race or
27 any sporting event.

28 3. The manner of payment of prizes to the holders of winning tickets
29 or shares, including providing for payment by the purchase of annuities in
30 the case of prizes payable in installments, except that the commission staff
31 shall examine claims and may not pay any prize based on altered, stolen or
32 counterfeit tickets or based on any tickets ~~which~~ THAT fail to meet
33 established validation requirements, including rules stated on the ticket or
34 in the published game rules, and confidential validation tests applied
35 consistently by the commission staff. No particular prize in a lottery game
36 may be paid more than once, and in the event of a binding determination that
37 more than one person is entitled to a particular prize, the sole remedy of
38 the claimants is the award to each of them of an equal portion of the single
39 prize.

40 4. The method to be used in selling tickets or shares, except that no
41 elected official's name may be printed on such tickets or shares. The
42 overall estimated odds of winning some prize or some cash prize, as
43 appropriate, in a given game shall be printed on each ticket or share.

44 5. The licensing of agents to sell tickets or shares, except that a
45 person who is under eighteen years of age shall not be licensed as an agent.

1 6. The manner and amount of compensation to be paid licensed sales
2 agents necessary to provide for the adequate availability of tickets or
3 shares to prospective buyers and for the convenience of the public, including
4 provision for variable compensation based on sales volume.

5 7. Matters necessary or desirable for the efficient and economical
6 operation and administration of the lottery and for the convenience of the
7 purchasers of tickets or shares and the holders of winning tickets or shares.

8 C. The commission shall authorize the director to issue orders and
9 shall approve orders issued by the director for the necessary operation of
10 the lottery. Orders issued under this subsection may include provisions
11 relating to the following:

12 1. The prices of tickets or shares in lottery games.

13 2. The themes, game play-styles, and names of lottery games and
14 definitions of symbols and other characters used in lottery games, except
15 that each ticket or share in a lottery game shall bear a unique
16 distinguishable serial number.

17 3. The sale of tickets or shares at a discount for promotional
18 purposes.

19 4. The prize structure of lottery games, including the number and size
20 of prizes available. Available prizes may include free tickets in lottery
21 games and merchandise prizes.

22 5. The frequency of drawings, if any, or other selections of winning
23 tickets or shares, except that:

24 (a) All drawings shall be open to the public.

25 (b) The actual selection of winning tickets or shares may not be
26 performed by an employee or member of the commission.

27 (c) Noncomputerized online game drawings shall be witnessed by an
28 independent observer.

29 6. Requirements for eligibility for participation in grand drawings or
30 other runoff drawings, including requirements for the submission of evidence
31 of eligibility within a shorter period than that provided for claims by
32 section 5-568.

33 7. Incentive and bonus programs designed to increase sales of lottery
34 tickets or shares and to produce the maximum amount of net revenue for this
35 state.

36 D. Notwithstanding title 41, chapter 6 and subsection B of this
37 section, the director, subject to the approval of the commission, may
38 establish a policy, procedure or practice that relates to an existing online
39 game or a new online game which THAT is the same type and has the same type
40 of game play-style as an online game currently being conducted by the lottery
41 or may modify an existing rule for an existing online game or a new online
42 game which THAT is the same type and has the same type of game play-style as
43 an online game currently being conducted by the lottery, including
44 establishing or modifying the matrix for an online game by giving notice of

1 the establishment or modification at least thirty days before the effective
2 date of the establishment or modification.

3 E. The commission shall maintain and make the following information
4 available for public inspection at its offices during regular business hours:

5 1. A detailed listing of the estimated number of prizes of each
6 particular denomination expected to be awarded in any instant game currently
7 on sale.

8 2. After the end of the claim period prescribed by section 5-568, a
9 listing of the total number of tickets or shares sold and the number of
10 prizes of each particular denomination awarded in each lottery game.

11 3. Definitions of all play symbols and other characters used in each
12 lottery game and instructions on how to play and how to win each lottery
13 game.

14 F. Any information that is maintained by the commission and that would
15 assist a person in locating or identifying a winning ticket or share or that
16 would otherwise compromise the integrity of any lottery game is deemed
17 confidential and is not subject to public inspection.

18 G. The commission, in addition to other games authorized by this
19 article, shall establish two special games for each year to be conducted
20 concurrently with other lottery games authorized under subsection B of this
21 section. The monies for prizes, for operating expenses and for payment to
22 the commerce and economic development commission fund, as provided in section
23 5-572, subsection A, paragraph 2, shall be accounted for separately as nearly
24 as practicable in the lottery commission's general accounting system. The
25 monies shall be derived from the revenues of the special games, and monies
26 for prizes do not become an expense to the lottery commission's annual
27 appropriation as provided in section 5-555, subsection D and section 5-572,
28 subsection J. Monies saved from the revenues of the special games, by reason
29 of operating efficiencies, shall become other revenue of the lottery
30 commission and revert to the state general fund.

31 H. The commission, in addition to other games authorized by this
32 article, may establish multistate lottery games to be conducted concurrently
33 with other lottery games authorized under subsections B and G of this
34 section. The monies for prizes, for operating expenses and for payment to
35 ~~the local transportation assistance fund, as provided in section 28-8101,~~ and
36 the state general fund shall be accounted for separately as nearly as
37 practicable in the lottery commission's general accounting system. The
38 monies shall be derived from the revenues of multistate lottery games.

39 I. The commission or director shall not establish or operate any
40 online or electronic keno game or any game played on the internet.

41 J. The commission or director shall not establish or operate any
42 lottery game or any type of game play-style, either individually or in
43 combination, that uses gaming devices or video lottery terminals as those
44 terms are used in section 5-601.02, including monitor games that produce or
45 display outcomes or results more than once per hour.

1 K. The director shall print, in a prominent location on each lottery
2 ticket or share, a statement that help is available if a person has a problem
3 with gambling and a toll-free telephone number where problem gambling
4 assistance is available. The director shall require all licensed agents to
5 post a sign with the statement that help is available if a person has a
6 problem with gambling and the toll-free telephone number at the point of sale
7 as prescribed and supplied by the director. The requirements of this
8 subsection apply to tickets and shares printed after July 18, 2000.

9 L. For the purposes of this section:

10 1. "Game play-style" means the process or procedure that a player must
11 follow to determine if a lottery ticket or share is a winning ticket or
12 share.

13 2. "Matrix" means the odds of winning a prize and the prize payout
14 amounts in a given game.

15 Sec. 4. Section 5-572, Arizona Revised Statutes, is amended to read:

16 5-572. Use of monies in state lottery fund; report

17 A. If there are any bonds or bond related obligations payable from the
18 state lottery revenue bond debt service fund, the state lottery revenue bond
19 debt service fund shall be secured by a first lien on the monies in the state
20 lottery fund after the payment of operating costs of the lottery, as
21 prescribed in section 5-555, subsection A, paragraph 1, until the state
22 lottery bond debt service fund contains sufficient monies to meet all the
23 requirements for the current period as required by the bond documents. Debt
24 service for revenue bonds issued pursuant to this chapter shall be paid first
25 from monies that would have otherwise been deposited pursuant to this section
26 in the state general fund. After the requirements for the current period have
27 been satisfied as required by the bond documents, the monies in the state
28 lottery fund shall be expended only for the following purposes and in the
29 order provided:

30 1. For the expenses of the commission incurred in carrying out its
31 powers and duties and in the operation of the lottery.

32 2. For payment to the commerce and economic development commission
33 fund established by section 41-1505.10 of not less than twenty-one and
34 one-half per cent of the revenues received from the sale of two special
35 lottery games conducted for the benefit of economic development.

36 ~~3. Except as provided in subsection F of this section, for payment to~~
37 ~~the local transportation assistance fund established by section 28-8101 of~~
38 ~~not less than nine million dollars, increasing each year that total revenues~~
39 ~~to the state lottery fund increase up to a maximum of eighteen million~~
40 ~~dollars each fiscal year, except that payments pursuant to this paragraph~~
41 ~~shall not increase by more than ten per cent per year.~~

42 ~~B. Of the monies remaining in the state lottery fund after the~~
43 ~~appropriations authorized in subsection A of this section, up to a maximum of~~
44 ~~twenty-three million dollars each fiscal year shall be deposited in the local~~
45 ~~transportation assistance fund established by section 28-8101 and up to a~~

1 ~~maximum of seven million six hundred fifty thousand dollars each fiscal year~~
2 ~~shall be deposited in the county assistance fund established by section~~
3 ~~41-175. Monies distributed pursuant to this subsection shall be in addition~~
4 ~~to monies distributed pursuant to subsection A, paragraph 3 of this section.~~

5 ~~C. Notwithstanding subsection B of this section, if the state lottery~~
6 ~~director determines at the beginning of any fiscal year that monies available~~
7 ~~to cities, towns and counties under this section may not equal thirty million~~
8 ~~six hundred fifty thousand dollars, the director shall not authorize deposits~~
9 ~~to the county assistance fund until the deposits to the local transportation~~
10 ~~assistance fund equal twenty-three million dollars.~~

11 ~~D. B. Of the monies remaining in the state lottery fund each fiscal~~
12 ~~year after appropriations and deposits authorized in subsections SUBSECTION~~
13 ~~A, B and C of this section, ten million dollars shall be deposited in the~~
14 ~~Arizona state parks board heritage fund established by section 41-502 and ten~~
15 ~~million dollars shall be deposited in the Arizona game and fish commission~~
16 ~~heritage fund established by section 17-297.~~

17 ~~E. C. Of the monies remaining in the state lottery fund each fiscal~~
18 ~~year after appropriations and deposits authorized in subsections A, AND B, C~~
19 ~~and D of this section, and appropriations and deposits to the local~~
20 ~~transportation assistance fund authorized by this section, five million~~
21 ~~dollars shall be allocated to the department of economic security for the~~
22 ~~healthy families program established by section 8-701, four million dollars~~
23 ~~shall be allocated to the Arizona board of regents for the Arizona area~~
24 ~~health education system established by section 15-1643, three million dollars~~
25 ~~shall be allocated to the department of health services to fund the teenage~~
26 ~~pregnancy prevention programs established in Laws 1995, chapter 190, sections~~
27 ~~2 and 3, two million dollars shall be allocated to the department of health~~
28 ~~services for the health start program established by section 36-697, two~~
29 ~~million dollars shall be deposited in the disease control research fund~~
30 ~~established by section 36-274 and one million dollars shall be allocated to~~
31 ~~the department of health services for the federal women, infants and children~~
32 ~~food program. The allocations in this subsection shall be adjusted annually~~
33 ~~according to changes in the GDP price deflator as defined in section 41-563~~
34 ~~and the allocations are exempt from the provisions of section 35-190,~~
35 ~~relating to lapsing of appropriations. If there are not sufficient monies~~
36 ~~available pursuant to this subsection, the allocation of monies for each~~
37 ~~program shall be reduced on a pro rata basis.~~

38 ~~F. D. Notwithstanding subsection A, paragraph 3 of this section, If~~
39 ~~the state lottery director determines that monies available to the state~~
40 ~~general fund may not equal thirty-one million EIGHTY MILLION SIX HUNDRED~~
41 ~~FIFTY THOUSAND dollars in a fiscal year, the director shall not authorize~~
42 ~~deposits to the local transportation assistance ARIZONA GAME AND FISH~~
43 ~~COMMISSION HERITAGE fund pursuant to subsection A, paragraph 3 B of this~~
44 ~~section until the deposits to the state general fund equal thirty-one million~~
45 ~~EIGHTY MILLION SIX HUNDRED FIFTY THOUSAND dollars in a fiscal year.~~

1 ~~G.~~ E. Of the monies remaining in the state lottery fund each fiscal
2 year after appropriations and deposits authorized in subsections A through ~~F~~
3 D of this section, one million dollars or the remaining balance in the fund,
4 whichever is less, is appropriated to the department of economic security for
5 grants to nonprofit organizations, including faith based organizations, for
6 homeless emergency and transitional shelters and related support services.
7 The department of economic security shall submit a report on the amounts,
8 recipients, purposes and results of each grant to the governor, the speaker
9 of the house of representatives and the president of the senate on or before
10 December 31 of each year for the prior fiscal year and shall provide a copy
11 of this report to the secretary of state.

12 ~~H.~~ F. Of the monies remaining in the state lottery fund each fiscal
13 year after appropriations and deposits authorized in subsections A through ~~G~~
14 E of this section, and after a total of at least ~~forty-six million four~~
15 ~~hundred ninety thousand~~ NINETY-SIX MILLION ONE HUNDRED FORTY THOUSAND dollars
16 has been deposited in the state general fund, the remaining balance in the
17 state lottery fund shall be deposited in the university capital improvement
18 lease-to-own and bond fund established by section 15-1682.03, up to a maximum
19 of eighty per cent of the total annual payments of lease-to-own and bond
20 agreements entered into by the Arizona board of regents.

21 ~~I.~~ G. All monies remaining in the state lottery fund after the
22 appropriations and deposits authorized in this section shall be deposited in
23 the state general fund.

24 ~~J.~~ H. Except for monies expended for prizes as provided in section
25 5-554, subsection G and section 41-1505.10 and for debt service of revenue
26 bonds as provided in subsection A of this section, monies expended under
27 subsection A of this section are subject to legislative appropriation.

28 Sec. 5. Section 5-804, Arizona Revised Statutes, is amended to read:

29 5-804. Administrative powers and duties

30 A. The board of directors, on behalf of the authority, may:

31 1. Adopt and use a corporate seal.

32 2. Sue and be sued.

33 3. Enter into contracts, including intergovernmental agreements under
34 title 11, chapter 7, article 3, as necessary to carry out the purposes and
35 requirements of this chapter.

36 4. Enter into an intergovernmental agreement under title 11, chapter
37 7, article 3 with the Arizona exposition and state fair board for the joint
38 use of properties and facilities, sharing administration, personnel and
39 resources and other matters that are beneficial to the purposes of the
40 multipurpose facility and the state fair.

41 5. Adopt administrative rules as necessary to administer and operate
42 the authority and any property under its jurisdiction.

43 6. Acquire by any lawful means and operate, maintain, encumber and
44 dispose of real and personal property and interests in property.

1 7. Retain legal counsel and other consultants as necessary to carry
2 out the purposes of the authority.

3 8. Enter into contracts with a professional football league for its
4 championship game or with a nonprofit community based organization that
5 operates or administers an intercollegiate national championship game that
6 provide for the payment to the league or organization of transaction
7 privilege tax revenues derived pursuant to section 42-5073, subsection G- F,
8 paragraph 1 from sales of admissions to these championship games if the
9 authority has fully paid the current year's required principal and interest
10 payments on any outstanding authority bonds for which these revenues were
11 pledged pursuant to article 3 of this chapter.

12 9. Enter into contracts with a nonprofit community based organization
13 that sponsors an intercollegiate national championship game that ~~provides~~
14 PROVIDE for the payment to the organization of a ticket surcharge or facility
15 user fee associated with parking if the authority has fully paid the current
16 year's required principal and interest payments on any outstanding authority
17 bonds for which these revenues were pledged pursuant to article 3 of this
18 chapter.

19 B. The board of directors shall:

20 1. Appoint from among its members a chairman, a secretary and such
21 other officers as may be necessary to conduct its business.

22 2. Employ an executive director and prescribe the terms and conditions
23 of employment.

24 3. Keep and maintain a complete and accurate record of all of its
25 proceedings. The board is a public body for purposes of title 38, chapter 3,
26 article 3.1 and title 39, chapter 1.

27 4. Provide for the use, maintenance and operation of the properties
28 and interests owned or controlled by the authority.

29 5. On or before September 12, 2002, approve a site for the
30 construction of the multipurpose facility proposed at any time before that
31 date by site hosts.

32 Sec. 6. Title 6, Arizona Revised Statutes, is amended by adding
33 chapter 16, to read:

34 CHAPTER 16

35 FINANCIAL INSTITUTIONS DATA MATCH AND DATA EXCHANGE

36 ARTICLE 1. GENERAL PROVISIONS

37 6-1601. Financial institutions data match and data exchange;
38 surrender of assets of delinquent taxpayer;
39 nonliability

40 A. FINANCIAL INSTITUTIONS MAY ENTER INTO AGREEMENTS WITH THE
41 DEPARTMENT OF REVENUE FOR DATA MATCH AND DATA EXCHANGE AS PRESCRIBED BY
42 SECTION 42-1207.

43 B. ON RECEIPT OF A NOTICE OF LEVY, A FINANCIAL INSTITUTION SHALL
44 ENCUMBER OR SURRENDER, AS APPROPRIATE, ASSETS HELD BY THE FINANCIAL
45 INSTITUTION ON BEHALF OF A DELINQUENT TAXPAYER. IF THE FINANCIAL INSTITUTION

1 RECEIVES TWO NOTICES OF LEVY ON THE SAME DAY FOR THE SAME PERSON, A LEVY
2 ISSUED TO COLLECT CHILD SUPPORT PURSUANT TO SECTION 25-521 HAS PRIORITY OVER
3 A LEVY ISSUED PURSUANT TO THIS SECTION.

4 C. NOTWITHSTANDING ANY OTHER LAW, A FINANCIAL INSTITUTION IS NOT
5 SUBJECT TO CIVIL LIABILITY FOR EITHER:

6 1. DISCLOSING TO THE DEPARTMENT OF REVENUE OR ITS AGENT A PERSON'S
7 FINANCIAL RECORD PURSUANT TO SECTION 42-1207 OR ANY ACTS OF OMISSION THAT ARE
8 INADVERTENT AND MADE IN GOOD FAITH.

9 2. ENCUMBERING OR SURRENDERING ANY ASSETS HELD BY THE FINANCIAL
10 INSTITUTION IN RESPONSE TO A NOTICE OF LEVY THAT IS ISSUED BY THE DEPARTMENT
11 OF REVENUE OR FOR ANY ACTION TAKEN IN GOOD FAITH TO COMPLY WITH THIS SECTION.

12 D. THE REMEDY UNDER SUBSECTION B OF THIS SECTION IS LIMITED TO
13 COLLECTION OF DELINQUENT TAXES, PENALTIES AND INTEREST.

14 Sec. 7. Section 9-626, Arizona Revised Statutes, is amended to read:

15 9-626. Construction progress reports; auditor general
16 performance measures

17 A. The eligible city shall report progress on the development of any
18 eligible project to the joint committee on capital review twice annually
19 during construction of the eligible project.

20 B. Within five years after the filing of the certificate of completion
21 of construction of an eligible project pursuant to section 9-622, and after
22 consultation with the eligible city, the auditor general shall conduct or
23 contract for an economic and fiscal impact analysis of the eligible project
24 in its fifth year of operation following the filing of the certificate of
25 completion of construction. At a minimum, the analysis shall:

26 1. Estimate the effects of direct, indirect and induced economic
27 activity in this state associated with:

28 (a) Regional and national conventions and trade shows held at the site
29 of the eligible project, the total amount of state general fund revenues
30 derived from that economic activity and the estimated average annual
31 attendance at those events assuming:

32 (i) The eligible project had not been completed.

33 (ii) The eligible project has been completed.

34 (b) The construction of the eligible project and the total amount of
35 state general fund revenues derived from the construction activity.

36 2. Compute the total cumulative amount of distributions pursuant to
37 section 9-602 for the first through fifth years following the filing of the
38 certificate of completion of construction for the eligible project pursuant
39 to section 9-622 and from the first through each subsequent fifth year.

40 3. Compute the net cumulative distributions for the eligible project
41 by subtracting the amount determined pursuant to paragraph 1, subdivision (b)
42 of this subsection from either the amounts determined pursuant to paragraph 2
43 of this subsection or, if applicable, the amount of state monies paid under a
44 lease purchase agreement pursuant to section 41-791.04.

4. Based on the analysis conducted pursuant to this subsection, estimate the minimum required attendance at the eligible project for the fifth year following the filing of the certificate of completion of construction of an eligible project pursuant to section 9-622 and each year thereafter. The estimates shall be computed as follows:

(a) Divide the total state general fund revenues estimated pursuant to paragraph 1, subdivision (a), item (ii) of this subsection by the attendance estimated pursuant to paragraph 1, subdivision (a), item (ii) of this subsection.

(b) Divide the net cumulative distribution amounts for the fifth year following the filing of the certificate of completion of construction of an eligible project pursuant to section 9-622 and each year thereafter computed pursuant to paragraph 3 of this subsection by the quotient computed pursuant to subdivision (a) of this paragraph.

(c) Add the average annual attendance estimated pursuant to paragraph 1, subdivision (a), item (i) of this subsection to each of the quotients determined pursuant to subdivision (b) of this paragraph. The resulting sums are the minimum required attendance amounts for each year.

C. Beginning in the fifth calendar year following the filing of the certificate of completion of construction of an eligible project pursuant to section 9-622 and each year thereafter, the auditor general shall:

1. Estimate the average annual attendance at regional and national conventions and trade shows held at the site of the eligible project using any appropriate method to estimate the attendance. The eligible city shall cooperate with and assist the auditor general in developing the estimates.

2. Compute the ratio of the cumulative sum of the estimated attendance amounts developed pursuant to paragraph 1 of this subsection for all years through the current year to the cumulative sum of the minimum required attendance amounts for those years computed pursuant to subsection B, paragraph 4, subdivision (c) of this section.

3. Notify the president of the senate, the speaker of the house of representatives and the governor of:

(a) The minimum required attendance amounts for those years computed pursuant to subsection B, paragraph 4, subdivision (c) of this section.

(b) The attendance estimate developed pursuant to paragraph 1 of this subsection.

(c) The ratio computed pursuant to paragraph 2 of this subsection.

D. Except as provided in paragraph 4 of this subsection, if the ratio computed pursuant to subsection C, paragraph 2 of this section is less than one:

1. The auditor general shall compute the difference between the estimated state general fund revenues and the net cumulative distributions by multiplying the net cumulative distributions computed pursuant to subsection B, paragraph 3 of this section by the difference between the ratio computed pursuant to subsection C, paragraph 2 of this section and one.

1 2. The auditor general shall notify the state treasurer of:

2 (a) The ratio computed pursuant to subsection C, paragraph 2 of this
3 section.

4 (b) The difference computed pursuant to paragraph 1 of this
5 subsection.

6 3. At the time of the next regularly scheduled distribution, the state
7 treasurer shall withhold from the amount that would otherwise be distributed
8 to the eligible city ~~from the local transportation assistance fund~~ pursuant
9 to section ~~28-8102~~ 42-5029 an amount equal to the amount stated in the notice
10 received pursuant to paragraph 2 of this subsection. If the amount available
11 for distribution is less than the amount to be withheld, the state treasurer
12 shall continue withholding from subsequent distributions until the full
13 amount stated in the notice has been withheld.

14 4. The eligible city may request and the auditor general shall conduct
15 or contract for a complete economic and fiscal impact analysis of the
16 eligible project. If an analysis is requested:

17 (a) The auditor general shall not notify the state treasurer pursuant
18 to paragraph 2 of this subsection, and the state treasurer shall not withhold
19 pursuant to paragraph 3 of this subsection, pending completion of the
20 analysis.

21 (b) The analysis shall be similar to the analysis described in
22 subsection B of this section, except that the analysis shall examine the
23 operations of the eligible project in the year for which the ratio is less
24 than one.

25 (c) The analysis, at a minimum, shall estimate the total cumulative
26 incremental revenues to the state general fund resulting from the completion
27 of the eligible project including the revenues resulting from the
28 construction activity associated with the completion of the eligible project.

29 (d) And the analysis demonstrates that the total cumulative
30 incremental revenues to the state general fund exceed the total cumulative
31 amount of distributions pursuant to section 9-602 as computed in subsection
32 B, paragraph 3 of this section, the auditor general shall not notify the
33 state treasurer pursuant to paragraph 2 of this subsection and the state
34 treasurer shall not withhold pursuant to paragraph 3 of this subsection.

35 (e) And the analysis demonstrates that the total cumulative
36 incremental revenues to the state general fund are less than the total
37 cumulative amount of distributions pursuant to section 9-602 as computed in
38 subsection B, paragraph 3 of this section:

39 (i) The auditor general shall subtract the amount of the total
40 cumulative incremental revenues to the state general fund from the amount of
41 the total cumulative distributions.

42 (ii) The auditor general shall notify the state treasurer of the
43 difference computed pursuant to item (i) of this subdivision.

44 (iii) At the time of the next regularly scheduled distribution, the
45 state treasurer shall withhold from the amount that would otherwise be

1 distributed to the eligible city ~~from the local transportation assistance~~
2 ~~fund~~ pursuant to section ~~28-8102~~ 42-5029 an amount equal to the amount stated
3 in the notice received pursuant to item (ii) of this subdivision. If the
4 amount available for distribution is less than the amount to be withheld, the
5 state treasurer shall continue withholding from subsequent distributions
6 until the full amount stated in the notice has been withheld.

7 E. The eligible city shall reimburse the auditor general for any costs
8 incurred in complying with the requirements of this section.

9 Sec. 8. Section 15-1682.03, Arizona Revised Statutes, is amended to
10 read:

11 15-1682.03. University capital improvement lease-to-own and
12 bond fund; lease-to-own and bond capital
13 improvement agreements

14 A. The university capital improvement lease-to-own and bond fund is
15 established consisting of the monies provided by the Arizona board of regents
16 pursuant to this section, monies deposited pursuant to section 5-522 and
17 monies appropriated by the legislature. The board shall administer the fund.
18 On notice from the board, the state treasurer shall invest and divest monies
19 in the fund as provided by section 35-313, and monies earned from investment
20 shall be credited to the fund. Monies in the fund are exempt from the
21 provisions of section 35-190 relating to lapsing of appropriations.

22 B. Through revenues of the state university system, the board shall
23 annually provide monies to the fund of at least twenty per cent of the
24 aggregate annual payments of lease-to-own and bond agreements entered into by
25 the board pursuant to this section.

26 C. The board shall distribute monies in the fund to make payments
27 pursuant to lease-to-own and bond agreements entered into by the board
28 pursuant to this section. The board may enter into lease-to-own and bond
29 agreements for the purposes of building renewal projects and new facilities.
30 New lease-to-own and bond agreements entered into pursuant to this section
31 shall not exceed one hundred sixty-seven million six hundred seventy-one
32 thousand two hundred dollars in fiscal year 2008-2009 and four hundred
33 million dollars in fiscal year 2009-2010. The board may enter into
34 lease-to-own and bond transactions up to a maximum of eight hundred million
35 dollars.

36 D. Notwithstanding section 5-522, subsection H- F, the amount of state
37 lottery revenues distributed to the university capital improvement
38 lease-to-own and bond fund in fiscal year 2009-2010 and fiscal year 2010-2011
39 shall not exceed an amount sufficient for up to eighty per cent of the annual
40 payments of the first one hundred sixty-seven million six hundred seventy-one
41 thousand two hundred dollars of new lease-to-own and bond agreements entered
42 into pursuant to this section. The full amount of state lottery revenues
43 distributed to the university capital improvement lease-to-own and bond fund
44 pursuant to section 5-522, subsection H- F shall be made available to the

1 board for the remaining new lease-to-own and bond agreements up to eight
2 hundred million dollars beginning in fiscal year 2011-2012.

3 E. In entering into lease-to-own and bond agreements pursuant to this
4 section, the board shall not obligate this state to provide any additional
5 monies from the state lottery fund above the amounts authorized in this
6 section and section 5-522, subsection H- F. In entering into lease-to-own
7 and bond agreements pursuant to this section, the board shall not obligate
8 any state general fund monies.

9 Sec. 9. Section 28-4802, Arizona Revised Statutes, is amended to read:

10 28-4802. Fees

11 A. Except as provided in subsection B of this section, the owner of
12 record of a vehicle at the time of abandonment of the vehicle is liable to
13 the department for the transfer of ownership or disposal in the AN amount of
14 ~~fifty dollars~~ PRESCRIBED BY THE DIRECTOR BY RULE if the vehicle was:

15 1. Abandoned and junked pursuant to article 3 of this chapter on
16 private property or public land or on or within the right-of-way of a street
17 or highway.

18 2. Abandoned on private property or public land or on or within the
19 right-of-way of a street or highway and the department issues a transfer of
20 ownership pursuant to the procedures prescribed by this chapter.

21 3. Abandoned and junked pursuant to article 3 of this chapter and
22 towed with the written permission of the state land commissioner from state
23 trust land located within the boundaries of an incorporated city or town.

24 B. The owner of record of a vehicle at the time of abandonment is
25 liable to the department for the transfer of ownership or disposal in the AN
26 amount of ~~two hundred dollars~~ PRESCRIBED BY THE DIRECTOR BY RULE if the
27 vehicle was:

28 1. Abandoned and junked pursuant to article 3 of this chapter and
29 towed with the written permission of the governing authority off of national
30 forest, state park, bureau of land management or state trust land located
31 outside the boundaries of an incorporated city or town.

32 2. Abandoned and towed with the written permission of the governing
33 authority off of national forest, state park, bureau of land management or
34 state trust land located outside the boundaries of an incorporated city or
35 town and the department issues a transfer of ownership pursuant to the
36 procedures prescribed by this chapter.

37 3. Abandoned outside the right-of-way of a street or highway located
38 outside the boundaries of an incorporated city or town.

39 C. In addition to the registration fee or driver license fee
40 prescribed by sections 28-2003 and 28-3002, the department shall collect the
41 fee prescribed in subsections A and B of this section as an additional
42 registration fee at the time the owner of the vehicle subsequently registers
43 another vehicle in this state or as an additional driver license fee at the
44 time the owner of the vehicle subsequently applies for or renews a driver
45 license issued by this state. The department shall deposit, pursuant to

1 sections 35-146 and 35-147, the additional fee collected for the transfer of
2 ownership or disposal in the abandoned vehicle administration fund
3 established by section 28-4804, EXCEPT THAT NINETY PER CENT OF THE FEES
4 COLLECTED PURSUANT TO SUBSECTION A OF THIS SECTION AND SIXTY PER CENT OF THE
5 FEES COLLECTED PURSUANT TO SUBSECTION B OF THIS SECTION SHALL BE DEPOSITED IN
6 THE STATE HIGHWAY FUND.

7 D. The department:

8 1. Shall notify the owner of an abandoned vehicle for which ownership
9 has been transferred or of a junk vehicle that has been disposed of about the
10 additional fee at the time of a subsequent vehicle registration or driver
11 license application or renewal.

12 2. Shall provide a complete description of the abandoned or junked
13 vehicle, the vehicle identification number of the vehicle and the date on
14 which the vehicle was disposed of or ownership was transferred by the
15 department.

16 3. May waive the additional fee if the person provides proof
17 satisfactory to the director that the vehicle had been transferred or
18 assigned to another person before the day of abandonment.

19 4. May prescribe by rule a fee of not more than ten dollars for
20 processing an abandoned vehicle report.

21 Sec. 10. Section 28-5808, Arizona Revised Statutes, is amended to
22 read:

23 28-5808. Vehicle license tax distribution

24 A. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, the director
25 shall distribute monies collected by the director pursuant to section
26 28-5801, except monies deposited in the state general fund, on the first and
27 fifteenth calendar day of each month as follows:

28 1. On the first calendar day, the director shall deposit, pursuant to
29 sections 35-146 and 35-147, all of the Arizona highway user revenue fund
30 monies received from the first through the fifteenth calendar day of the
31 preceding month in the Arizona highway user revenue fund, except that on the
32 first calendar day the director shall deposit, pursuant to sections 35-146
33 and 35-147, in the parity compensation fund established by section 41-1720,
34 1.51 per cent of the portion of vehicle license tax revenues that otherwise
35 would be deposited in the state highway fund from the first through the
36 fifteenth calendar day of the preceding month.

37 2. On the fifteenth calendar day, the director shall deposit, pursuant
38 to sections 35-146 and 35-147, all of the Arizona highway user revenue fund
39 monies received from the sixteenth through the last day of the preceding
40 month in the Arizona highway user revenue fund, except that on the fifteenth
41 calendar day, the director shall deposit, pursuant to sections 35-146 and
42 35-147, in the parity compensation fund established by section 41-1720, 1.51
43 per cent of the portion of vehicle license tax revenues that otherwise would
44 be deposited in the state highway fund from the sixteenth through the last
45 day of the preceding month. On the fifteenth calendar day, the director

1 shall distribute or deposit all other monies received during the entire
2 preceding month as follows:

3 (a) The county general fund monies to the county general fund.

4 (b) The county transportation monies to the state treasurer to be
5 apportioned among the counties for any purposes related to transportation, as
6 determined by the board of supervisors, on the basis that the population of
7 the unincorporated area of each county bears to the population of the
8 unincorporated areas of all counties in this state.

9 (c) The incorporated cities and towns monies to the incorporated
10 cities and towns of the county in proportion to the population of each.

11 3. The deposit of the monies in the parity compensation fund pursuant
12 to paragraphs 1 and 2 of this subsection shall not impact the distribution of
13 vehicle license tax revenues to the state general fund and to cities, towns
14 and counties pursuant to this section.

15 B. The director shall distribute monies collected by the director
16 pursuant to sections 28-5804, 28-5805, 28-5806 and 28-5810, except monies
17 deposited in the state general fund, on the first and fifteenth calendar day
18 of each month as follows:

19 1. On the first calendar day, the director shall deposit, pursuant to
20 sections 35-146 and 35-147, 37.61 per cent of all monies received from the
21 first through the fifteenth calendar day of the preceding month in the
22 highway user revenue fund.

23 2. On the fifteenth calendar day, the director shall deposit, pursuant
24 to sections 35-146 and 35-147, 37.61 per cent of all monies received from the
25 sixteenth through the last day of the preceding month in the highway user
26 revenue fund and distribute or deposit the following amounts as a percentage
27 of all monies received pursuant to sections 28-5804, 28-5805, 28-5806 and
28 28-5810 during the entire preceding month as follows:

29 (a) 20.45 per cent to the county general fund.

30 (b) 4.91 per cent to the state treasurer to be apportioned among the
31 counties for any purposes related to transportation, as determined by the
32 board of supervisors, on the basis that the population of the unincorporated
33 area of each county bears to the population of the unincorporated areas of
34 all counties in this state.

35 (c) 20.45 per cent to the incorporated cities and towns of the county
36 in proportion to the population of each.

37 ~~(d) Except as provided in subsection C of this section, 1.64 per cent~~
38 ~~shall be deposited, pursuant to sections 35-146 and 35-147, in the state~~
39 ~~highway fund established by section 28-6991.~~

40 (e) 4.09 per cent in the state highway fund established by section
41 28-6991.

42 (f) 10.85 per cent ~~shall be deposited~~, pursuant to sections 35-146 and
43 35-147, in the state general fund to aid school financial assistance.

1 ~~C. Through September 30, 2003, if the department's authorized share of~~
2 ~~federal surface transportation program monies in each year is more than~~
3 ~~forty-two million dollars, the director shall deposit each year in equal~~
4 ~~installments during the year an annual amount equal to the difference between~~
5 ~~this state's authorized share of federal surface transportation program~~
6 ~~monies and forty-two million dollars from the amount prescribed in subsection~~
7 ~~B, paragraph 2, subdivision (d) of this section in the local transportation~~
8 ~~assistance fund established by section 28-8101. Monies deposited in the~~
9 ~~local transportation assistance fund pursuant to this subsection shall be~~
10 ~~distributed to eligible cities, towns and counties as provided in section~~
11 ~~28-8103. The amount distributed pursuant to this subsection shall not exceed~~
12 ~~the amount prescribed in subsection B, paragraph 2, subdivision (d) of this~~
13 ~~section.~~

14 ~~D.~~ C. For purposes of this section the population of a county, city
15 or town shall be determined as provided by section 28-6532 or 42-5033.01. If
16 an incorporated city or town has had no federal enumeration of population,
17 the supervisors shall both:

18 1. Appoint a qualified person to take an accurate census of the
19 incorporated city or town.

20 2. Certify the results to the county treasurer, and the incorporated
21 city or town shall share in the distribution as provided by this section.

22 D. ON THE FIFTEENTH CALENDAR DAY OF EACH MONTH, THE DIRECTOR SHALL
23 TRANSFER TO THE STATE GENERAL FUND FROM THE PORTION OF VEHICLE LICENSE TAX
24 REVENUES THAT OTHERWISE WOULD BE DEPOSITED IN THE STATE HIGHWAY FUND PURSUANT
25 TO SECTION 28-6538, SUBSECTION A, PARAGRAPH 1, THE FOLLOWING AMOUNTS:

26 1. AN AMOUNT EQUAL TO NINETY PER CENT OF THE FEES COLLECTED PURSUANT
27 TO SECTION 28-4802, SUBSECTION A IN THE PRECEDING MONTH.

28 2. AN AMOUNT EQUAL TO SIXTY PER CENT OF THE FEES COLLECTED PURSUANT TO
29 SECTION 28-4802, SUBSECTION B IN THE PRECEDING MONTH.

30 Section 11. Section 28-6543, Arizona Revised Statutes, is amended to
31 read:

32 28-6543. Local revenues; requirements

33 A. Each fiscal year a county with a population of more than four
34 hundred thousand persons or an incorporated city or town with a population of
35 more than thirty thousand persons that is located in such a county shall:

36 1. Budget and spend local revenues as defined in article IX, section
37 20, Constitution of Arizona, for street and highway purposes in an amount at
38 least equal to the average amount of local revenues budgeted and spent for
39 these purposes in any four of the five fiscal years during the period
40 beginning with fiscal year 1981-1982 and ending with fiscal year 1985-1986.

41 2. Through its chief financial officer, certify in writing to the
42 department whether or not the county, city or town has complied with the
43 requirements of paragraph 1 of this subsection.

44 3. File the certification on or before December 31 after the
45 completion of each fiscal year.

1 B. Failure to certify as required by subsection A, paragraph 2 of this
2 section is a failure to comply with subsection A, paragraph 1 of this
3 section.

4 C. In determining the amount of local revenues budgeted and spent for
5 street and highway purposes during a fiscal year pursuant to subsection A of
6 this section, a county or incorporated city or town shall not consider any of
7 the following:

8 1. Monies distributed from the Arizona highway user revenue fund.

9 ~~2. Monies distributed from the local transportation assistance fund~~
10 ~~established by section 28-8101.~~

11 ~~3.~~ 2. Monies spent by the county or incorporated city or town for
12 street and highway purposes directly needed by an emergency declared by the
13 governor.

14 Sec. 12. Repeal

15 Title 28, chapter 24, article 1, Arizona Revised Statutes, is repealed.

16 Sec. 13. Section 36-274, Arizona Revised Statutes, is amended to read:

17 36-274. Disease control research fund; lapsing; investment

18 A. The disease control research fund is established consisting of
19 monies received from the state lottery fund pursuant to section 5-522,
20 subsection E- C, monies appropriated by the legislature and any gifts,
21 contributions or other monies received by the commission from any source,
22 except monies from the health research fund established by section 36-275.
23 The commission shall administer the disease control research fund.

24 B. The commission may expend monies in the disease control research
25 fund for projects or services pursuant to section 36-273 and for expenses
26 incurred by the commission in carrying out the purposes of this article,
27 including filing applications and maintaining patents.

28 C. As a condition of each contract for cancer research projects or
29 services, the commission shall require that the recipient shall not use fund
30 monies for any purpose, including any administrative or building purposes,
31 other than the specific cancer research grant project contract.

32 D. Monies in the disease control research fund are exempt from THE
33 PROVISIONS OF section 35-190 relating to lapsing of appropriations.

34 E. On notice from the commission, the state treasurer shall invest and
35 divest monies in the disease control research fund as provided by section
36 35-313, and monies earned from investment shall be credited to the fund.

37 Sec. 14. Repeal

38 Section 41-175, Arizona Revised Statutes, is repealed.

39 Sec. 15. Repeal; reversion

40 A. Section 41-502, Arizona Revised Statutes, is repealed.

41 B. Any monies remaining in the Arizona state parks board heritage fund
42 shall revert to the state general fund on June 30, 2011.

43 Sec. 16. Delayed repeal

44 Title 41, chapter 3, article 1, Arizona Revised Statutes, is repealed
45 from and after June 30, 2011.

1 Sec. 17. Section 41-2306, Arizona Revised Statutes, is amended to
2 read:

3 41-2306. Tourism fund

4 A. The tourism fund is established consisting of separate accounts
5 derived from:

6 ~~1. Revenues deposited pursuant to section 42-5029. All monies in this~~
7 ~~account are continuously appropriated to the office of tourism for the~~
8 ~~purposes of operations and statewide tourism promotion.~~

9 ~~2.~~ 1. Revenues deposited pursuant to section 5-835, subsection B
10 or C. All monies in this account are continuously appropriated to the office
11 of tourism, which, in consultation with a consortium of destination marketing
12 organizations in the county in which the tourism and sports authority is
13 established, shall be spent ~~only~~ to promote tourism within that county ~~and~~
14 ~~shall not be spent for administrative or overhead expenses.~~ FIFTY PER CENT
15 OF THE REVENUES DEPOSITED IN THE TOURISM FUND PURSUANT TO THIS SUBSECTION MAY
16 BE EXPENDED BY THE OFFICE OF TOURISM FOR OPERATIONAL AND ADMINISTRATIVE
17 PURPOSES.

18 ~~3.~~ 2. Revenues deposited pursuant to section 42-6108.01. The
19 legislature shall appropriate all monies in this account to the office of
20 tourism, which, in conjunction with the destination marketing organization in
21 the county in which the tax revenues are collected, shall be spent only to
22 promote tourism within that county and shall not be spent for administrative
23 or overhead expenses.

24 4. Revenues deposited pursuant to section 5-601.02(H)(3)(b)(iv). The
25 office of tourism shall administer the account. The account is not subject
26 to appropriation, and expenditures from the fund are not subject to outside
27 approval notwithstanding any statutory provision to the contrary. Monies
28 received pursuant to section 5-601.02 shall be deposited directly with this
29 account. On notice from the office of tourism, the state treasurer may
30 invest and divest monies in the account as provided by section 35-313, and
31 monies earned from investment shall be credited to the account. No monies in
32 the account shall revert to or be deposited in any other fund, including the
33 state general fund. Monies in this account shall supplement, not supplant,
34 current funds in other accounts of the tourism fund. Monies in this account
35 shall be spent only to promote tourism within the state and shall not be used
36 for administrative or overhead expenses.

37 B. Monies in the fund are exempt from THE PROVISIONS OF section 35-190
38 relating to lapsing of appropriations.

39 Sec. 18. Section 42-1004, Arizona Revised Statutes, is amended to
40 read:

41 42-1004. General powers and duties of the department; res
42 judicata; remedies; enforcement; special collections
43 account

44 A. The department shall administer and enforce ~~the provisions of this~~
45 title, title 43 and other laws assigned to it and has all the powers and

1 duties prescribed by law for such purposes. In all proceedings prescribed by
2 law the department may act on behalf of this state. In addition, the
3 department shall:

4 1. Formulate policies, plans and programs to effectuate the missions
5 and purposes of the department.

6 2. Employ and remove personnel subject to ~~the provisions of title 41,~~
7 chapter 4, articles 5 and 6, determine the conditions of employment and
8 prescribe the duties and powers of administrative, professional, technical,
9 secretarial, clerical and other personnel as may be necessary in the
10 performance of its duties, and contract for the services of outside advisors,
11 consultants and aides as may be reasonably necessary.

12 3. Make contracts and incur obligations within the general scope of
13 its activities and operations subject to the availability of its funds.

14 4. Contract with or assist other departments, agencies or institutions
15 of the state, local, Indian tribal and federal governments in the furtherance
16 of its purposes, objectives and programs.

17 5. Accept grants, matching funds and direct payments from public or
18 private agencies for the conduct of programs which are consistent with the
19 overall purposes and objectives of the department.

20 6. Provide information and advice within the scope of its duties
21 subject to the laws on confidentiality of information and departmental rules
22 adopted pursuant to such laws.

23 7. Advise with and make recommendations to the governor and the
24 legislature on all matters concerning its objectives.

25 8. Have an official seal which shall be judicially noticed.

26 9. Provide an integrated, coordinated and uniform system of tax
27 administration and revenue collection for the state.

28 B. The department may:

29 1. With the approval of the attorney general:

30 (a) Abate any balance owed by a taxpayer if the balance is
31 uncollectible. Related liens, if any, are extinguished on abatement.

32 (b) Abate all or part of the unpaid portion of any tax if the director
33 determines that the administration and collection costs involved would exceed
34 the amount of the tax.

35 2. Offer publications relating to the administration of state taxes
36 for sale at a price equal to the pro rata cost of publication and
37 distribution. Monies received from the sale of publications shall be placed
38 in a revenue publications revolving fund. Monies in the fund:

39 (a) Shall be used to meet publication and distribution expenses.

40 (b) Are exempt from the provisions of section 35-190 relating to
41 lapsing of appropriations.

42 3. Enter into contingent fee contracts to collect delinquent state
43 taxes, penalties, ~~and interest due~~ AND OTHER AMOUNTS OWED TO THE DEPARTMENT
44 under title 43 and chapter 5, article 1 of this title, consistent with the

1 requirements of chapter 2, article 1 of this title. No contract may be
2 entered into for:—

3 ~~(a) The collection of delinquent state taxes which exceed five hundred~~
4 ~~dollars for an individual resident, Arizona corporation or partnership.~~

5 ~~(b) the hiring of auditors on a contingent fee basis except auditors~~
6 ~~that are hired to enforce the provisions of title 44, chapter 3.~~

7 C. In the determination of any issue of law or fact under this title
8 or title 43, neither the department, nor any officer or agency having any
9 administrative duties under this title or title 43, nor any court is bound by
10 the determination of any other executive officer or administrative agency of
11 this state. In the determination of any case arising under this title or
12 title 43, the rule of res judicata is applicable only if the liability
13 involved is for the same year or period as was involved in another case
14 previously determined under this title or title 43.

15 D. The remedies of this state provided for in this title and title 43
16 are cumulative, and no action taken by the department constitutes an election
17 by this state to pursue any remedy to the exclusion of any other remedy
18 provided by law.

19 E. The attorney general shall prosecute in the name of this state all
20 actions necessary to enforce this title and title 43. The attorney general
21 may defend all actions brought against this state or an officer or agency of
22 this state arising under this title and title 43. The attorney general may
23 delegate the prosecuting authority to any county attorney for prosecution in
24 that county.

25 F. A special collections account is established in the state general
26 fund. All monies collected pursuant to contracts authorized by subsection B,
27 paragraph 3 of this section shall be deposited in the special collections
28 account. The department shall pay from the account all fees and court costs
29 provided for in the contracts authorized under subsection B, paragraph 3 of
30 this section. The department shall allocate the remainder of the amounts
31 collected under subsection B, paragraph 3 of this section to the state or the
32 political subdivision in the proportion that the monies would have been
33 distributed pursuant to chapter 5 of this title or section 43-206,
34 respectively.

35 Sec. 19. Section 42-1114, Arizona Revised Statutes, is amended to
36 read:

37 42-1114. Suit to recover taxes

38 A. The department may bring an action in the name of this state to
39 recover the amount of any taxes, penalties, and interest OR OTHER AMOUNTS
40 OWED BY THE TAXPAYER TO THE DEPARTMENT THAT ARE due and unpaid. The
41 department of law shall prosecute the action. In the action a writ of
42 attachment may be issued and no bond or affidavit previous to issuing the
43 attachment is required. In the action a certificate by the department of
44 revenue showing the delinquency is prima facie evidence of the levy of the
45 tax, of the delinquency and of the compliance by the department of revenue

1 with all the provisions of law relating to the computation and levy of the
2 tax.

3 B. The department of revenue may bring an appropriate action in any
4 court of competent jurisdiction in the United States or any foreign country
5 in the name of this state to recover the amount of any taxes, interest and
6 penalties OR ANY OTHER AMOUNTS OWED BY THE TAXPAYER TO THE DEPARTMENT THAT
7 ARE due. The department of law shall prosecute the action.

8 C. The action shall not commence more than ~~six~~ TEN years after the
9 amount of taxes determined to be due becomes final unless the taxpayer and
10 the department extend the ~~six~~ TEN year limitation or enforced collection has
11 been stayed by operation of federal or state law. If enforced collection has
12 been stayed, the period of limitations shall be extended by the period of
13 time that the department was stayed from engaging in enforced collections.
14 ~~If an action is not commenced within the six year period or within the period~~
15 ~~extended by agreement, the lien of the tax is extinguished as provided in~~
16 ~~section 42-1151.~~

17 Sec. 20. Section 42-1118, Arizona Revised Statutes, is amended to
18 read:

19 42-1118. Refunds, credits, offsets and abatelements

20 A. If the department determines that any amount of tax, penalty or
21 interest has been paid in excess of the amount actually due, the department
22 shall credit the excess amount against any tax administered pursuant to this
23 article, including any penalty, ~~or~~ interest OR OTHER AMOUNTS owed by the
24 taxpayer TO THE DEPARTMENT. If it is determined that the amount cannot be
25 credited against a tax or installment of taxes due from the taxpayer, the
26 department may:

27 1. Refund the entire amount of tax, interest and penalty, in a lump
28 sum or in not more than five annual installments, to the taxpayer from whom
29 it was collected.

30 2. Issue to the taxpayer a credit voucher for the entire amount of
31 tax, interest and penalty collected, to be carried forward and applied
32 against future tax liabilities until exhausted.

33 3. Refund part, and issue a credit voucher for the balance, of the
34 tax, interest and penalties as provided in paragraphs 1 and 2 of this
35 subsection.

36 B. If the total amount withheld from income under section 43-401
37 exceeds the amount of the tax on the employee's entire taxable income as
38 computed under title 43, the department shall refund the amount of the excess
39 deducted without requiring a filing of a refund claim as provided in this
40 section. The failure of the department to make the refund does not limit the
41 right of the taxpayer to file a claim for a refund pursuant to this section
42 if the claim is not barred under section 42-1106. The department shall not
43 refund amounts less than one dollar unless specifically requested by the
44 taxpayer at the time the return or claim for refund is filed.

1 C. Any overpayment that may result from withholdings or estimates
2 pursuant to section 43-401, 43-581 or 43-582 shall not be credited or
3 refunded unless an Arizona income tax return has been filed for the tax year
4 for which the withholdings or estimates were made.

5 D. The department shall give a vendor who has a duty to collect use
6 tax pursuant to chapter 5, article 4 of this title and who has not collected
7 that tax full credit or offset for any use tax, interest and penalty paid to
8 the department by the purchaser when issuing a determination of a deficiency
9 pursuant to section 42-1108. This credit or offset shall be computed from
10 the date of the use tax payment by the purchaser. If the purchaser has been
11 audited by the department for use tax for the period of the purchase, the
12 purchaser is considered to have paid the use tax to the department. For
13 other purchases, the vendor may submit an affirmation by a purchaser on a
14 form prescribed by the department that use tax was paid on the purchase. A
15 fully completed certificate, taken in good faith by the vendor, constitutes
16 proof that the vendor is entitled to this credit or offset. The department
17 may require a purchaser who has submitted the certificate to establish the
18 accuracy and completeness of the information contained in the certificate.
19 If the purchaser cannot establish the accuracy and completeness of the
20 information, the purchaser is liable for a penalty equal to the amount of tax
21 and interest that would have been paid by the seller and for the additional
22 penalties pursuant to section 42-1125. Payment of the penalty relieves the
23 purchaser of any responsibility for paying the use tax. The department may
24 require this proof and may assess the purchaser within the later of the
25 period of limitations set forth in section 42-1104 or one year from the date
26 the notice of proposed deficiency is issued to the vendor if the purchaser
27 does not establish the accuracy of the information contained in the
28 certificate.

29 E. Each claim for refund shall be filed with the department in writing
30 and shall identify the claimant by name, address and tax identification
31 number. Each claim shall provide the amount of refund requested, the
32 specific tax period involved and the specific grounds on which the claim is
33 founded. Refunds are subject to setoff for debts pursuant to section
34 42-1122.

35 F. A motor vehicle manufacturer that repurchases a vehicle pursuant to
36 section 44-1263 or for reasons of consumer satisfaction may apply for a
37 refund of the taxes paid under chapter 5 of this title if that manufacturer
38 has refunded the amount of tax to the consumer. A refund is allowed under
39 this subsection only if the manufacturer provides satisfactory proof to the
40 department that tax amounts attributed to the sale of the vehicle were
41 collected from the consumer and that the manufacturer refunded an amount of
42 tax to the consumer. Any refund provided under this subsection is in lieu of
43 any refund on the vehicle that the dealer may otherwise be entitled to
44 receive. A manufacturer must apply for a refund under this subsection within

four years after repurchasing the vehicle. For the purposes of this subsection:

1. "Consumer" has the same meaning prescribed in section 44-1261.

2. "Motor vehicle manufacturer" means a corporation engaged in the business of producing passenger cars, trucks and multipurpose passenger vehicles as described in 49 Code of Federal Regulations section 571.3.

3. "Satisfactory proof" includes copies of checks and a purchase or lease agreement that lists the vehicle identification number and that itemizes the amount that was collected as tax from the consumer.

G. The department shall not imprint the full social security number or other taxpayer identifier used pursuant to section 42-1105 on any taxpayer refund check, voucher or other credit documentation issued to the taxpayer under this section.

H. If any amount has been erroneously determined to be due from any person but not yet collected, the department shall cancel the amount or amounts on its records.

I. If, with or after the filing of a protest or an appeal with the department, the state board of tax appeals or the court, a taxpayer pays the tax protested or appealed before the department, board or court acts upon the protest or the appeal, such body shall treat the protest or the appeal as a claim for refund or an appeal from the denial of a claim for refund filed under this section.

Sec. 21. Section 42-1125, Arizona Revised Statutes, is amended to read:

42-1125. Civil penalties; definition

A. If a taxpayer fails to make and file a return for a tax administered pursuant to this article on or before the due date of the return or the due date as extended by the department, ~~then~~, unless it is shown that the failure is due to reasonable cause and not due to wilful neglect, four and one-half per cent of the tax required to be shown on such return shall be added to the tax for each month or fraction of a month elapsing between the due date of the return and the date on which it is filed. The total penalty shall not exceed twenty-five per cent of the tax found to be remaining due. The penalty so added to the tax is due and payable on notice and demand from the department. For the purpose of computing the penalty imposed under this subsection, the amount required to be shown as tax on a return shall be reduced by the amount of any part of the tax which is paid on or before the beginning of such month and by the amount of any credit against the tax which may be claimed on the return. If the amount required to be shown as tax on a return is less than the amount shown as tax on such return the penalty described in this subsection shall be applied by substituting such lower amount.

B. If a taxpayer fails or refuses to file a return on notice and demand by the department, the taxpayer shall pay a penalty of twenty-five per cent of the tax, which is due and payable on notice and demand by the

1 department, in addition to any penalty prescribed by subsection A of this
2 section, unless it is shown that the failure is due to reasonable cause and
3 not due to wilful neglect. This penalty is payable on notice and demand from
4 the department.

5 C. If a taxpayer fails or refuses to furnish any information requested
6 in writing by the department, the department may add a penalty of twenty-five
7 per cent of the amount of any deficiency tax assessed by the department
8 concerning the assessment of which the information was required, unless it is
9 shown that the failure is due to reasonable cause and not due to wilful
10 neglect.

11 D. If a person fails to pay the amount shown as tax on any return
12 within the time prescribed, a penalty of one-half of one per cent, not to
13 exceed a total of ten per cent, shall be added to the amount shown as tax for
14 each month or fraction of a month during which the failure continues, unless
15 it is shown that the failure is due to reasonable cause and not due to wilful
16 neglect. If the department determines that the person's failure to pay was
17 due to reasonable cause and not due to wilful neglect and that a payment
18 agreement pursuant to section 42-2057 is appropriate, the department shall
19 not impose the penalty unless the taxpayer fails to comply with the payment
20 agreement. If the taxpayer is also subject to a penalty under subsection A
21 of this section for the same tax period, the total penalties under subsection
22 A of this section and this subsection shall not exceed twenty-five per cent.
23 For the purpose of computing the penalty imposed under this subsection:

24 1. The amount shown as tax on a return shall be reduced by the amount
25 of any part of the tax that is paid on or before the beginning of that month
26 and by the amount of any credit against the tax that may be claimed on the
27 return.

28 2. If the amount shown as tax on a return is greater than the amount
29 required to be shown as tax on that return, the penalty shall be applied by
30 substituting the lower amount.

31 E. If a person fails to pay any amount required to be shown on any
32 return that is not so shown within twenty-one calendar days after the date of
33 notice and demand, a penalty of one-half of one per cent, not to exceed a
34 total of ten per cent, shall be added to the amount of tax for each month or
35 fraction of a month during which the failure continues, unless it is shown
36 that the failure is due to reasonable cause and not due to wilful neglect.
37 If the taxpayer is also subject to penalty under subsection A of this section
38 for the same tax period, the total penalties under subsection A of this
39 section and this subsection shall not exceed twenty-five per cent. For the
40 purpose of computing the penalty imposed under this subsection, any amount
41 required to be shown on any return shall be reduced by the amount of any part
42 of the tax that is paid on or before the beginning of that month and by the
43 amount of any credit against the tax that may be claimed on the return.

44 F. In the case of a deficiency, for which a determination is made of
45 an additional amount due, which is due to negligence but without intent to

1 defraud, the person shall pay a penalty of ten per cent of the amount of the
2 deficiency.

3 G. If part of a deficiency is due to fraud with intent to evade tax,
4 fifty per cent of the total amount of the tax, in addition to the deficiency,
5 interest and other penalties provided in this section, shall be assessed,
6 collected and paid as if it were a deficiency.

7 H. If the amount, whether determined by the department or the
8 taxpayer, required to be withheld by the employer pursuant to title 43,
9 chapter 4 is not paid to the department on or before the date prescribed for
10 its remittance, the department may add a penalty of twenty-five per cent of
11 the amount required to be withheld and paid, unless it is shown that the
12 failure is due to reasonable cause and not due to wilful neglect.

13 I. A person who, with or without intent to evade any requirement of
14 this article or any lawful administrative rule of the department of revenue
15 under this article, fails to file a return or to supply information required
16 under this article or who, with or without such intent, makes, prepares,
17 renders, signs or verifies a false or fraudulent return or statement or
18 supplies false or fraudulent information shall pay a penalty of not more than
19 one thousand dollars. This penalty shall be recovered by the department of
20 law in the name of this state by an action in any court of competent
21 jurisdiction.

22 J. If the taxpayer files what purports to be a return of any tax
23 administered pursuant to this article but which is frivolous or which is made
24 with the intent to delay or impede the administration of the tax laws, that
25 person shall pay a penalty of five hundred dollars.

26 K. If a taxpayer who is required to file or provide an information
27 return under this title or title 43 fails to file the return at the
28 prescribed time or files a return which fails to show the information
29 required, that taxpayer shall pay a penalty of one hundred dollars for each
30 month or fraction of a month during which the failure continues unless it is
31 shown that the failure is due to reasonable cause and not due to wilful
32 neglect. The total penalties under this subsection shall not exceed five
33 hundred dollars.

34 L. If it appears to the superior court that proceedings before it have
35 been instituted or maintained by a taxpayer primarily for delay or that the
36 taxpayer's position is frivolous or groundless, the court may award damages
37 in an amount not to exceed one thousand dollars to this state. Damages so
38 awarded shall be collected as a part of the tax.

39 M. A person who is required under section 43-413 to furnish a
40 statement to an employee and who wilfully furnishes a false or fraudulent
41 statement, or who wilfully fails to furnish a statement required by section
42 43-413, is for each such failure subject to a penalty of fifty dollars.

43 N. A person who is required to collect or truthfully account for and
44 pay a tax administered pursuant to this article, including any luxury
45 privilege tax, and who wilfully fails to collect the tax or truthfully

1 account for and pay the tax, or wilfully attempts in any manner to evade or
2 defeat the tax or its payment, is, in addition to other penalties provided by
3 law, liable for a penalty equal to the total amount of the tax evaded, not
4 collected or not accounted for and paid. Except as provided in subsections
5 ~~S~~ T, ~~T~~ U and ~~U~~ V of this section, no other penalty under this section
6 relating to failure to pay tax may be imposed for any offense to which this
7 subsection applies.

8 O. FOR REPORTING PERIODS BEGINNING FROM AND AFTER FEBRUARY 28, 2011,
9 IF A TAXPAYER WHO IS REQUIRED UNDER SECTION 42-1129 TO MAKE PAYMENT BY
10 ELECTRONIC FUNDS TRANSFER FAILS TO DO SO, THAT TAXPAYER SHALL PAY A PENALTY
11 OF FIVE PER CENT OF THE AMOUNT OF TAX DUE ON THE RETURN UNLESS IT IS SHOWN
12 THAT THE FAILURE IS DUE TO REASONABLE CAUSE AND NOT DUE TO WILFUL NEGLECT.

13 ~~Q~~ P. Unless due to reasonable cause and not to wilful neglect:

14 1. A person who fails to provide that person's taxpayer identification
15 number in any return, statement or other document as required by section
16 42-1105, subsection A shall pay a penalty of five dollars for each such
17 failure.

18 2. A person, when filing any return, statement or other document for
19 compensation on behalf of a taxpayer, who fails to include that person's own
20 taxpayer identification number and the taxpayer's identification number shall
21 pay a penalty of fifty dollars for each such failure.

22 3. A person, when filing any return, statement or other document
23 without compensation on behalf of a taxpayer, who fails to include that
24 person's own taxpayer identification number and the taxpayer's identification
25 number is not subject to a penalty.

26 No other penalty under this section may be imposed if the only violation is
27 failure to provide taxpayer identification numbers.

28 ~~P~~ Q. If a taxpayer fails to pay the full amount of estimated tax
29 required by title 43, chapter 5, article 6, a penalty is assessed equal to
30 the amount of interest that would otherwise accrue under section 42-1123 on
31 the amount not paid for the period of nonpayment, not exceeding ten per cent
32 of the amount not paid. The penalty prescribed by this subsection is in lieu
33 of any other penalty otherwise prescribed by this section and in lieu of
34 interest prescribed by section 42-1123.

35 ~~Q~~ R. The department of law, with the consent of the department of
36 revenue, may compromise any penalty for which it may bring an action under
37 this section.

38 ~~R~~ S. Penalties shall not be assessed under subsection D of this
39 section on additional amounts of tax paid by a taxpayer at the time the
40 taxpayer voluntarily files an amended return. This subsection does not apply
41 if:

42 1. The taxpayer is under audit by the department.

43 2. The amended return was filed on demand or request by the
44 department.

1 3. The total additional tax paid and due for the tax period represents
2 a substantial understatement of tax liability. For the purposes of this
3 paragraph, there is a substantial understatement of tax for any tax period if
4 the amount of the understatement for the tax period exceeds the greater of
5 ten per cent of the actual tax liability for the tax period or two thousand
6 dollars.

7 ~~S.~~ T. In addition to other penalties provided by law, a person who
8 knowingly and intentionally does not comply with any requirement under
9 chapter 3, article 5 of this title relating to cigarettes shall pay a penalty
10 of one thousand dollars. A person who knowingly and intentionally does not
11 pay any luxury tax that relates to cigarettes imposed by chapter 3 of this
12 title shall pay a penalty that is equal to ten per cent of the amount of the
13 unpaid tax.

14 ~~T.~~ U. A cigarette manufacturer, cigarette importer or cigarette
15 distributor, as defined in section 42-3001, who knowingly and intentionally
16 sells or possesses cigarettes with false manufacturing labels or cigarettes
17 with counterfeit tax stamps, or who obtains cigarettes through the use of a
18 counterfeit license, shall pay the following penalties:

19 1. For a first violation involving two thousand or more cigarettes,
20 one thousand dollars.

21 2. For a subsequent violation involving two thousand or more
22 cigarettes, five thousand dollars.

23 ~~U.~~ V. The civil penalties in this section are in addition to any
24 civil penalty under chapter 3, article 5 of this title.

25 ~~V.~~ W. For the purposes of this section, and only as applied to the
26 taxes imposed by chapter 5, articles 1 through 6 and chapter 6, articles 1, 2
27 and 3 of this title, "reasonable cause" means a reasonable basis for the
28 taxpayer to believe that the tax did not apply to the business activity or
29 the storage, use or consumption of the taxpayer's tangible personal property
30 in this state.

31 Sec. 22. Section 42-1129, Arizona Revised Statutes, is amended to
32 read:

33 42-1129. Payment of tax by electronic funds transfer

34 A. The department may require by rule, consistent with the state
35 treasurer's cash management policies, that any taxpayer that owed twenty
36 thousand dollars or more for the preceding taxable year in connection with
37 any tax administered pursuant to this article, except individual income tax,
38 shall pay the tax liability on or before the payment date prescribed by law
39 in monies that are immediately available to the state on the date of the
40 transfer as provided by subsection B of this section.

41 B. A payment in immediately available monies shall be made by
42 electronic funds transfer ~~or any other means required by the department~~, with
43 the state treasurer's approval, that ensures the availability of the monies
44 to this state on the date of payment.

1 C. The taxpayer shall furnish evidence as prescribed by the department
2 that the payment was remitted on or before the due date.

3 D. A TAXPAYER WHO IS REQUIRED TO MAKE PAYMENT BY ELECTRONIC FUNDS
4 TRANSFER BUT WHO FAILS TO DO SO IS SUBJECT TO THE CIVIL PENALTIES PRESCRIBED
5 BY SECTION 42-1125, SUBSECTION O.

6 ~~D.~~ E. A failure to make a timely payment in immediately available
7 monies as prescribed pursuant to this section is subject to the civil
8 penalties prescribed by section 42-1125, subsection D.

9 Sec. 23. Section 42-1151, Arizona Revised Statutes, is amended to
10 read:

11 42-1151. Lien

12 A. If any tax, interest, ~~or~~ penalty ~~which~~ OR OTHER AMOUNT OWED BY THE
13 TAXPAYER TO THE DEPARTMENT THAT the department is required to collect is not
14 paid by a taxpayer when due, such unpaid amounts constitute a lien upon all
15 property and rights to property, whether real or personal, belonging to the
16 taxpayer or acquired by the taxpayer from the date the amounts are assessed
17 or the date the return prescribing the liability is filed until the liability
18 for the assessed amounts is satisfied ~~except that the lien is extinguished if~~
19 ~~an action is not commenced within the period prescribed in section 42-1114.~~

20 B. The lien prescribed in this section is not valid against the
21 following until the notice of the lien is filed as prescribed in section
22 42-1152:

23 1. A mechanic's lienholder who holds a lien pursuant to title 33,
24 chapter 7, article 6. The lien exists on the later of the date the lien
25 becomes valid against subsequent purchasers without actual notice or the date
26 the lienholder begins to furnish the services, labor or materials.

27 2. A purchaser who, for adequate and full consideration in money or
28 money's worth, acquires an interest in property, other than a lien or
29 security interest, which is valid against subsequent purchasers without
30 actual notice. Any of the following which is not a lien or security interest
31 is an interest in property:

32 (a) A lease of property.

33 (b) A written executory contract to purchase or lease property.

34 (c) An option to purchase or lease property or any interest in
35 property.

36 (d) An option to review or extend a lease of property.

37 3. A holder of a security interest in property acquired by contract to
38 secure payment or performance of an obligation or to indemnify against loss
39 or liability. A security interest exists:

40 (a) If the property exists and the interest has become protected
41 against a subsequent judgment lien arising out of an unsecured obligation.

42 (b) To the extent that the holder has parted with money or money's
43 worth.

44 4. A judgment lien creditor.

1 C. Although a notice of lien has been filed as prescribed by section
2 42-1152, the lien is not valid against:

3 1. Personal property purchased in casual sale as provided in section
4 6323 of the internal revenue code.

5 2. Residential property subject to a mechanic's lien for certain
6 repairs and improvements as provided in section 6323 of the internal revenue
7 code.

8 Sec. 24. Section 42-1152, Arizona Revised Statutes, is amended to
9 read:

10 42-1152. Filing of lien; notice; recording

11 A. The notice prescribed in section 42-1151, subsection B may be filed
12 by the department against the taxpayer's real property located in any county
13 by recording a notice of lien in the form prescribed by subsection C of this
14 section in the office of the county recorder.

15 B. The notice prescribed in section 42-1151, subsection B may be filed
16 by the department against the taxpayer's personal property or rights to
17 personal property located within this state by recording a notice of lien in
18 the form prescribed by subsection C of this section in the office of the
19 secretary of state.

20 C. A notice of lien recorded under this section shall specify the
21 nature of the tax, the amount of tax, interest and penalty AND OTHER AMOUNTS
22 OWED BY THE TAXPAYER TO THE DEPARTMENT THAT ARE due, the taxable periods for
23 which such amounts are due and the name and last known address of the
24 taxpayer liable for such amounts.

25 Sec. 25. Section 42-1153, Arizona Revised Statutes, is amended to
26 read:

27 42-1153. Release or subordination of lien

28 A. The department ~~may~~, at any time, MAY release all or any portion of
29 the property subject to the lien from the lien or subordinate the lien to
30 other liens if it determines that either:

31 1. The taxes are sufficiently secured by a lien on other property of
32 the taxpayer.

33 2. The release or subordination of the lien will not endanger or
34 jeopardize the collection of such taxes.

35 B. In its discretion and at any time, the department may withdraw a
36 notice of lien that was recorded pursuant to this article if the department
37 determines that any of the following conditions ~~apply~~ APPLIES:

38 1. The department's interests are best served by withdrawing the
39 notice.

40 2. Filing the lien was premature or otherwise in violation of the
41 department's administrative procedures.

42 3. Withdrawing the notice will facilitate collecting the outstanding
43 amount of taxes, interest and penalties.

44 4. The taxpayer has entered into an installment payment agreement,
45 unless the agreement provides otherwise.

1 C. If any lien imposed by section 42-1151 has been satisfied and a
2 notice of the lien had been recorded by the department pursuant to section
3 42-1152, the department shall issue a release of the lien to the person
4 against whom the lien was claimed. The department shall record the lien
5 release in any county where the original lien was recorded and in the office
6 of the secretary of state if applicable.

7 D. If a balance owed by a taxpayer has been abated pursuant to section
8 42-1004, subsection B, paragraph 1, subdivision (a), the department is not
9 required to record a release of the lien under this section, but on the
10 taxpayer's written request, the department shall provide a certificate of
11 release to the taxpayer.

12 ~~E. If a tax obligation has been extinguished pursuant to section~~
13 ~~42-2066, the lien for the extinguished tax is also extinguished. The~~
14 ~~department is not required to record a release of the lien under this~~
15 ~~section, but on the taxpayer's written request, the department shall provide~~
16 ~~a certificate of release to the taxpayer.~~

17 F. E. A certificate by the department to the effect that any property
18 has been released from the lien or that the lien has been subordinated to
19 other liens is conclusive evidence that the property has been released or
20 that the lien has been subordinated as provided in the certificate.

21 Sec. 26. Section 42-1201, Arizona Revised Statutes, is amended to
22 read:

23 42-1201. Levy and distraint; definition

24 A. If a person liable to pay any tax neglects or refuses to pay the
25 tax, the department may collect the tax, INTEREST, PENALTY, OTHER AMOUNTS
26 OWED TO THE DEPARTMENT and such other sums as are sufficient to cover the
27 expenses of the levy, by levy upon:

28 1. All property and rights to property, except property exempt under
29 section 42-1204, belonging to the person or on which there is a lien as
30 provided in article 4 of this chapter or section 42-17153 for the payment of
31 the tax.

32 2. The accrued salary or wages of any officer, employee or elected
33 official of this state or its political subdivisions, or any agency or
34 instrumentality of this state or its political subdivisions, by serving a
35 notice of levy on:

36 (a) The department of administration in the case of state wages or
37 salaries.

38 (b) The chief disbursing officer of a political subdivision of the
39 state in the case of wages or salaries paid by the political subdivision.

40 B. The levy shall not be made more than ~~six~~ TEN years after the amount
41 of tax determined to be due becomes final. The taxpayer and the department
42 may extend the ~~six~~ TEN year limitation prescribed by this subsection for any
43 length of time by executing a written agreement before the expiration of the
44 ~~six~~ TEN year limitation. If enforced collection has been stayed by operation
45 of federal or state law, the period of limitations shall be extended by the

1 period of time that the department was stayed from engaging in enforced
2 collections.

3 C. As used in this chapter, "levy" includes the power of distraint and
4 seizure by any means. Except as otherwise provided in subsection E or F of
5 this section, a levy extends only to property possessed and obligations
6 existing at the time of the levy or within twenty-one days after the date of
7 the levy. In any case in which the department may levy upon property or
8 rights to property, it may seize and sell the property or rights to the
9 property, whether real or personal, tangible or intangible.

10 D. If any property or right to property upon which a levy has been
11 made under subsection A of this section is not sufficient to satisfy the
12 claim of the department for which the levy is made, the department may as
13 often as may be necessary proceed to levy in like manner upon any other
14 property liable to levy of the person against whom such claim exists, until
15 the amount due, together with all expenses, is fully paid.

16 E. The effect of a levy on salary or wages payable to or received by a
17 taxpayer is continuous from the date the levy is first made until the
18 liability out of which the levy arose is satisfied or becomes unenforceable.

19 F. With respect to a levy described in subsection E of this section,
20 the department shall promptly release the levy when the liability out of
21 which the levy arose is satisfied or becomes unenforceable and shall promptly
22 notify the person upon whom the levy was made that the levy has been
23 released.

24 Sec. 27. Title 42, chapter 1, article 5, Arizona Revised Statutes, is
25 amended by adding section 42-1207, to read:

26 42-1207. Financial institutions data match; prohibited
27 disclosure; civil liability; fee; definition

28 A. THE DEPARTMENT MAY ENTER INTO AGREEMENTS WITH FINANCIAL
29 INSTITUTIONS THAT CONDUCT BUSINESS IN THIS STATE TO DEVELOP AND OPERATE A
30 DATA MATCH SYSTEM TO ASSIST THE DEPARTMENT IN THE COLLECTION OF DELINQUENT
31 TAXES, PENALTIES AND INTEREST. THE DATA MATCH SYSTEM SHALL USE AUTOMATED
32 DATA EXCHANGE PROCEDURES TO THE MAXIMUM EXTENT POSSIBLE.

33 B. ANY DATA EXCHANGES BETWEEN FINANCIAL INSTITUTIONS AND THE
34 DEPARTMENT UNDER AN AGREEMENT PURSUANT TO SUBSECTION A SHALL OCCUR QUARTERLY.
35 THE DATA EXCHANGES SHALL INCLUDE THE NAME, ADDRESS OF RECORD, SOCIAL SECURITY
36 NUMBER OR OTHER TAXPAYER IDENTIFICATION NUMBER AND ANY OTHER IDENTIFYING
37 INFORMATION FOR EACH DELINQUENT TAXPAYER WHO MAINTAINS AN ACCOUNT AT THE
38 INSTITUTION AND WHO OWES DELINQUENT TAXES AS IDENTIFIED BY THE DEPARTMENT BY
39 NAME AND SOCIAL SECURITY NUMBER OR OTHER TAXPAYER IDENTIFICATION NUMBER.

40 C. THE DEPARTMENT OR ITS AGENT MAY ONLY DISCLOSE A PERSON'S FINANCIAL
41 RECORD UNDER THIS SECTION IN ORDER TO ENFORCE THE COLLECTION OF A PERSON'S
42 DELINQUENT TAX OBLIGATION.

43 D. A DEPARTMENT EMPLOYEE WHO KNOWINGLY OR NEGLIGENTLY DISCLOSES A
44 PERSON'S FINANCIAL RECORDS IN VIOLATION OF SUBSECTION C IS SUBJECT TO CIVIL
45 LIABILITY IN AN AMOUNT EQUAL TO THE GREATER OF EITHER:

1 1. ONE THOUSAND DOLLARS FOR EACH ACT OF UNAUTHORIZED DISCLOSURE OF A
2 FINANCIAL RECORD WITH RESPECT TO WHICH THE DEPARTMENT EMPLOYEE IS FOUND
3 LIABLE.

4 2. THE SUM OF THE ACTUAL DAMAGES SUSTAINED BY THE PLAINTIFF AS A
5 RESULT OF THE UNAUTHORIZED DISCLOSURE AND, IN THE CASE OF A WILFUL DISCLOSURE
6 OR A DISCLOSURE THAT IS THE RESULT OF GROSS NEGLIGENCE, PUNITIVE DAMAGES,
7 INCLUDING COSTS AND ATTORNEY FEES.

8 E. THE DEPARTMENT MAY PAY A REASONABLE FEE TO A FINANCIAL INSTITUTION
9 FOR CONDUCTING A DATA MATCH. THE FEE SHALL NOT EXCEED THE ACTUAL COSTS
10 INCURRED BY THE FINANCIAL INSTITUTION.

11 F. FOR THE PURPOSES OF THIS SECTION, "FINANCIAL INSTITUTION" MEANS
12 STATE AND FEDERALLY CHARTERED BANKS, TRUST COMPANIES, FEDERAL AND STATE
13 SAVINGS AND LOAN ASSOCIATIONS, FEDERAL AND STATE CREDIT UNIONS, CONSUMER
14 LENDERS, INTERNATIONAL BANKING FACILITIES AND FINANCIAL INSTITUTION HOLDING
15 COMPANIES, INSURANCE COMPANIES, BENEFIT ASSOCIATIONS, SAFE DEPOSIT COMPANIES,
16 MONEY MARKET MUTUAL FUNDS AND SIMILAR INSTITUTIONS AUTHORIZED TO DO BUSINESS
17 IN THIS STATE AND ANY PARTY AFFILIATED WITH THESE FINANCIAL INSTITUTIONS.

18 Sec. 28. Section 42-2003, Arizona Revised Statutes, is amended to
19 read:

20 42-2003. Authorized disclosure of confidential information

21 A. Confidential information relating to:

22 1. A taxpayer may be disclosed to the taxpayer, its successor in
23 interest or a designee of the taxpayer who is authorized in writing by the
24 taxpayer. A principal corporate officer of a parent corporation may execute
25 a written authorization for a controlled subsidiary.

26 2. A corporate taxpayer may be disclosed to any principal officer, any
27 person designated by a principal officer or any person designated in a
28 resolution by the corporate board of directors or other similar governing
29 body.

30 3. A partnership may be disclosed to any partner of the partnership.
31 This exception does not include disclosure of confidential information of a
32 particular partner unless otherwise authorized.

33 4. An estate may be disclosed to the personal representative of the
34 estate and to any heir, next of kin or beneficiary under the will of the
35 decedent if the department finds that the heir, next of kin or beneficiary
36 has a material interest which will be affected by the confidential
37 information.

38 5. A trust may be disclosed to the trustee or trustees, jointly or
39 separately, and to the grantor or any beneficiary of the trust if the
40 department finds that the grantor or beneficiary has a material interest
41 which will be affected by the confidential information.

42 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
43 to confidentiality either in writing or on the record in any administrative
44 or judicial proceeding.

1 7. The name and taxpayer identification numbers of persons issued
2 direct payment permits may be publicly disclosed.

3 B. Confidential information may be disclosed to:

4 1. Any employee of the department whose official duties involve tax
5 administration.

6 2. The office of the attorney general solely for its use in
7 preparation for, or in an investigation which may result in, any proceeding
8 involving tax administration before the department or any other agency or
9 board of this state, or before any grand jury or any state or federal court.

10 3. The department of liquor licenses and control for its use in
11 determining whether a spirituous liquor licensee has paid all transaction
12 privilege taxes and affiliated excise taxes incurred as a result of the sale
13 of spirituous liquor, as defined in section 4-101, at the licensed
14 establishment and imposed on the licensed establishments by this state and
15 its political subdivisions.

16 4. Other state tax officials whose official duties require the
17 disclosure for proper tax administration purposes if the information is
18 sought in connection with an investigation or any other proceeding conducted
19 by the official. Any disclosure is limited to information of a taxpayer who
20 is being investigated or who is a party to a proceeding conducted by the
21 official.

22 5. The following agencies, officials and organizations, if they grant
23 substantially similar privileges to the department for the type of
24 information being sought, pursuant to statute and a written agreement between
25 the department and the foreign country, agency, state, Indian tribe or
26 organization:

27 (a) The United States internal revenue service, alcohol and tobacco
28 tax and trade bureau of the United States treasury, United States bureau of
29 alcohol, tobacco, firearms and explosives of the United States department of
30 justice, United States drug enforcement agency and federal bureau of
31 investigation.

32 (b) A state tax official of another state.

33 (c) An organization of states, federation of tax administrators or
34 multistate tax commission that operates an information exchange for tax
35 administration purposes.

36 (d) An agency, official or organization of a foreign country with
37 responsibilities that are comparable to those listed in subdivision (a), (b)
38 or (c) of this paragraph.

39 (e) An agency, official or organization of an Indian tribal government
40 with responsibilities comparable to the responsibilities of the agencies,
41 officials or organizations identified in subdivision (a), (b) or (c) of this
42 paragraph.

43 6. The auditor general, in connection with any audit of the department
44 subject to the restrictions in section 42-2002, subsection D.

1 7. Any person to the extent necessary for effective tax administration
2 in connection with:

3 (a) The processing, storage, transmission, destruction and
4 reproduction of the information.

5 (b) The programming, maintenance, repair, testing and procurement of
6 equipment for purposes of tax administration.

7 (c) THE COLLECTION OF THE TAXPAYER'S CIVIL LIABILITY.

8 8. The office of administrative hearings relating to taxes
9 administered by the department pursuant to section 42-1101, but the
10 department shall not disclose any confidential information:

11 (a) Regarding income tax, withholding tax or estate tax.

12 (b) On any tax issue relating to information associated with the
13 reporting of income tax, withholding tax or estate tax.

14 9. The United States treasury inspector general for tax administration
15 for the purpose of reporting a violation of internal revenue code section
16 7213A (26 United States Code section 7213A), unauthorized inspection of
17 returns or return information.

18 10. The financial management service of the United States treasury
19 department for use in the treasury offset program.

20 11. The United States treasury department or its authorized agent for
21 use in the state income tax levy program and in the electronic federal tax
22 payment system.

23 12. The department of commerce for its use in:

24 (a) Qualifying motion picture production companies for the tax
25 incentives provided for motion picture production under chapter 5 of this
26 title and sections 43-1075 and 43-1163.

27 (b) Qualifying applicants for the motion picture infrastructure
28 project tax credits under sections 43-1075.01 and 43-1163.01.

29 (c) Qualifying renewable energy operations for the tax incentives
30 under sections 42-12006, 43-1083.01 and 43-1164.01.

31 (d) Fulfilling its annual reporting responsibility pursuant to section
32 41-1511, subsections T and U and section 41-1517, subsections S and T.

33 13. A prosecutor for purposes of section 32-1164, subsection C.

34 14. The state fire marshal for use in determining compliance with and
35 enforcing title 41, chapter 16, article 3.1.

36 C. Confidential information may be disclosed in any state or federal
37 judicial or administrative proceeding pertaining to tax administration
38 pursuant to the following conditions:

39 1. One or more of the following circumstances must apply:

40 (a) The taxpayer is a party to the proceeding.

41 (b) The proceeding arose out of, or in connection with, determining
42 the taxpayer's civil or criminal liability, or the collection of the
43 taxpayer's civil liability, with respect to any tax imposed under this title
44 or title 43.

1 (c) The treatment of an item reflected on the taxpayer's return is
2 directly related to the resolution of an issue in the proceeding.

3 (d) Return information directly relates to a transactional
4 relationship between a person who is a party to the proceeding and the
5 taxpayer and directly affects the resolution of an issue in the proceeding.

6 2. Confidential information may not be disclosed under this subsection
7 if the disclosure is prohibited by section 42-2002, subsection C or D.

8 D. Identity information may be disclosed for purposes of notifying
9 persons entitled to tax refunds if the department is unable to locate the
10 persons after reasonable effort.

11 E. The department, upon the request of any person, shall provide the
12 names and addresses of bingo licensees as defined in section 5-401, verify
13 whether or not a person has a privilege license and number, a distributor's
14 license and number or a withholding license and number or disclose the
15 information to be posted on the department's ~~web-site~~ WEBSITE or otherwise
16 publicly accessible pursuant to section 42-1124, subsection F and section
17 42-3201, subsection A.

18 F. A department employee, in connection with the official duties
19 relating to any audit, collection activity or civil or criminal
20 investigation, may disclose return information to the extent that disclosure
21 is necessary to obtain information which is not otherwise reasonably
22 available. These official duties include the correct determination of and
23 liability for tax, the amount to be collected or the enforcement of other
24 state tax revenue laws.

25 G. If an organization is exempt from this state's income tax as
26 provided in section 43-1201 for any taxable year, the name and address of the
27 organization and the application filed by the organization upon which the
28 department made its determination for exemption together with any papers
29 submitted in support of the application and any letter or document issued by
30 the department concerning the application are open to public inspection.

31 H. Confidential information relating to transaction privilege tax, use
32 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may
33 be disclosed to any county, city or town tax official if the information
34 relates to a taxpayer who is or may be taxable by the county, city or town.
35 Any taxpayer information released by the department to the county, city or
36 town:

37 1. May only be used for internal purposes.

38 2. May not be disclosed to the public in any manner that does not
39 comply with confidentiality standards established by the department. The
40 county, city or town shall agree in writing with the department that any
41 release of confidential information that violates the confidentiality
42 standards adopted by the department will result in the immediate suspension
43 of any rights of the county, city or town to receive taxpayer information
44 under this subsection.

1 I. The department may disclose statistical information gathered from
2 confidential information if it does not disclose confidential information
3 attributable to any one taxpayer. In order to comply with the requirements
4 of section 42-5029, subsection A, paragraph 3, the department may disclose to
5 the state treasurer statistical information gathered from confidential
6 information, even if it discloses confidential information attributable to a
7 taxpayer.

8 J. The department may disclose the aggregate amounts of any tax
9 credit, tax deduction or tax exemption enacted after January 1, 1994.
10 Information subject to disclosure under this subsection shall not be
11 disclosed if a taxpayer demonstrates to the department that such information
12 would give an unfair advantage to competitors.

13 K. Except as provided in section 42-2002, subsection C, confidential
14 information, described in section 42-2001, paragraph 2, subdivision (a), item
15 (iii), may be disclosed to law enforcement agencies for law enforcement
16 purposes.

17 L. The department may provide transaction privilege tax license
18 information to property tax officials in a county for the purpose of
19 identification and verification of the tax status of commercial property.

20 M. The department may provide transaction privilege tax, luxury tax,
21 use tax, property tax and severance tax information to the ombudsman-citizens
22 aide pursuant to title 41, chapter 8, article 5.

23 N. Except as provided in section 42-2002, subsection D, a court may
24 order the department to disclose confidential information pertaining to a
25 party to an action. An order shall be made only upon a showing of good cause
26 and that the party seeking the information has made demand upon the taxpayer
27 for the information.

28 O. This section does not prohibit the disclosure by the department of
29 any information or documents submitted to the department by a bingo licensee.
30 Before disclosing the information the department shall obtain the name and
31 address of the person requesting the information.

32 P. If the department is required or permitted to disclose confidential
33 information, it may charge the person or agency requesting the information
34 for the reasonable cost of its services.

35 Q. Except as provided in section 42-2002, subsection D, the department
36 of revenue shall release confidential information as requested by the
37 department of economic security pursuant to section 42-1122 or 46-291.
38 Information disclosed under this subsection is limited to the same type of
39 information that the United States internal revenue service is authorized to
40 disclose under section 6103(l)(6) of the internal revenue code.

41 R. Except as provided in section 42-2002, subsection D, the department
42 of revenue shall release confidential information as requested by the courts
43 and clerks of the court pursuant to section 42-1122.

1 S. To comply with the requirements of section 42-5031, the department
2 may disclose to the state treasurer, to the county stadium district board of
3 directors and to any city or town tax official that is part of the county
4 stadium district confidential information attributable to a taxpayer's
5 business activity conducted in the county stadium district.

6 T. The department shall release confidential information as requested
7 by the attorney general for purposes of determining compliance with and
8 enforcing section 44-7101, the master settlement agreement referred to
9 therein and subsequent agreements to which the state is a party that amend or
10 implement the master settlement agreement. Information disclosed under this
11 subsection is limited to luxury tax information relating to tobacco
12 manufacturers, distributors, wholesalers and retailers and information
13 collected by the department pursuant to section 44-7101(2)(j).

14 U. For proceedings before the department, the office of administrative
15 hearings, the board of tax appeals or any state or federal court involving
16 penalties that were assessed against a return preparer, ~~or~~ AN electronic
17 return preparer OR A PAYROLL SERVICE COMPANY pursuant to section 42-1103.02,
18 ~~or~~ 42-1125.01 OR 43-419, confidential information may be disclosed only
19 before the judge or administrative law judge adjudicating the proceeding, the
20 parties to the proceeding and the parties' representatives in the proceeding
21 prior to its introduction into evidence in the proceeding. The confidential
22 information may be introduced as evidence in the proceeding only if the
23 taxpayer's name, the names of any dependents listed on the return, all social
24 security numbers, the taxpayer's address, the taxpayer's signature and any
25 attachments containing any of the foregoing information are redacted and if
26 either:

27 1. The treatment of an item reflected on such return is or may be
28 related to the resolution of an issue in the proceeding.

29 2. Such return or return information relates or may relate to a
30 transactional relationship between a person who is a party to the proceeding
31 and the taxpayer which directly affects the resolution of an issue in the
32 proceeding.

33 3. THE METHOD OF PAYMENT OF THE TAXPAYER'S WITHHOLDING TAX LIABILITY
34 OR THE METHOD OF FILING THE TAXPAYER'S WITHHOLDING TAX RETURN IS AN ISSUE FOR
35 THE PERIOD.

36 V. The department may disclose to the attorney general confidential
37 information received under section 44-7111 and requested by the attorney
38 general for purposes of determining compliance with and enforcing section
39 44-7111. The department and attorney general shall share with each other the
40 information received under section 44-7111, and may share the information
41 with other federal, state or local agencies only for the purposes of
42 enforcement of section 44-7101, section 44-7111 or corresponding laws of
43 other states.

1 W. The department may provide the name and address of qualifying
2 hospitals and qualifying health care organizations, as defined in section
3 42-5001, to a business classified and reporting transaction privilege tax
4 under the utilities classification.

5 Sec. 29. Section 42-2066, Arizona Revised Statutes, is amended to
6 read:

7 42-2066. Statute of limitations on tax debts

8 A. A taxpayer's obligations for any tax, interest or penalty required
9 to be collected by the department for any tax period are extinguished, if not
10 previously satisfied, ~~six~~ TEN years after the amount of tax determined to be
11 due becomes final unless one of the following circumstances applies:

12 1. The department has commenced a suit to collect the debt pursuant to
13 section 42-1114.

14 2. The taxpayer has agreed in writing to extend this time period
15 before the time period expires.

16 3. Enforced collection has been stayed by the operation of federal or
17 state law during the period. The period of limitations prescribed by this
18 section is extended by the period of time that the department was stayed from
19 engaging in enforced collections.

20 ~~B. If a tax obligation is extinguished pursuant to this section, any~~
21 ~~related liens for those obligations are also extinguished.~~

22 Sec. 30. Section 42-5014, Arizona Revised Statutes, is amended to
23 read:

24 42-5014. Return and payment of tax; estimated tax; extensions;
25 abatements

26 A. Except as provided in subsection B, C or D of this section, the
27 taxes levied under this article:

28 1. Are due and payable monthly in the form required by section 42-5018
29 for the amount of the tax, to the department, on or before the twentieth day
30 of the month next succeeding the month in which the tax accrues.

31 2. Are delinquent as follows:

32 (a) For taxpayers electing to file by mail, if not postmarked on or
33 before the twenty-fifth day of that month or if not received by the
34 department on or before the business day preceding the last business day of
35 the month.

36 (b) For taxpayers electing to file and pay electronically in any
37 month, if not received by the department on or before the last business day
38 of the month.

39 (c) For all other taxpayers, if not received by the department on or
40 before the business day preceding the last business day of the month.

41 B. The department, for any taxpayer whose estimated annual liability
42 for taxes imposed by this article is between five hundred dollars and one
43 thousand two hundred fifty dollars, may authorize such taxpayer to pay such
44 taxes on a quarterly basis. The department, for any taxpayer whose estimated

1 annual liability for taxes imposed by this article is five hundred dollars or
2 less, may authorize such taxpayer to pay such taxes on an annual basis.

3 C. The department may require a taxpayer whose business is of a
4 transient character to file the return and remit the taxes imposed by this
5 article on a daily, a weekly or a transaction by transaction basis, and those
6 returns and payments are due and payable on the date fixed by the department
7 without a grace period otherwise allowed by this section. For the purposes
8 of this subsection, "business of a transient character" means sales activity
9 by a taxpayer not regularly engaged in selling within the state conducted
10 from vehicles, portable stands, rented spaces, structures or booths, or
11 concessions at fairs, carnivals, circuses, festivals or similar activities
12 for not more than thirty consecutive days.

13 D. IN 2010, 2011 AND 2012, IF A BUSINESS ENTITY UNDER WHICH A TAXPAYER
14 REPORTS AND PAYS INCOME TAX UNDER TITLE 43 HAS AN ANNUAL TOTAL TAX LIABILITY
15 UNDER THIS ARTICLE, ARTICLE 6 OF THIS CHAPTER AND CHAPTER 6, ARTICLE 3 OF
16 THIS TITLE IN CALENDAR YEAR 2010, 2011 OR 2012 OF ONE HUNDRED THOUSAND
17 DOLLARS OR MORE, BASED ON THE ACTUAL TAX LIABILITY IN CALENDAR YEAR 2009,
18 2010 OR 2011, REGARDLESS OF THE NUMBER OF OFFICES AT WHICH THE TAXES IMPOSED
19 BY THIS ARTICLE, ARTICLE 6 OF THIS CHAPTER OR CHAPTER 6, ARTICLE 3 OF THIS
20 TITLE ARE COLLECTED, OR IF THE TAXPAYER CAN REASONABLY ANTICIPATE SUCH
21 LIABILITY IN CALENDAR YEAR 2010, 2011 OR 2012, THE TAXPAYER SHALL REPORT ON A
22 FORM PRESCRIBED BY THE DEPARTMENT AND PAY AN ESTIMATED TAX PAYMENT IN JUNE,
23 2010, 2011 OR 2012. THEREAFTER, if the business entity under which a
24 taxpayer reports and pays income tax under title 43 has an annual total tax
25 liability under this article, article 6 of this chapter and chapter 6,
26 article 3 of this title of one million dollars or more, based on the actual
27 tax liability in the preceding calendar year, regardless of the number of
28 offices at which the taxes imposed by this article, article 6 of this chapter
29 or chapter 6, article 3 of this title are collected, or if the taxpayer can
30 reasonably anticipate such liability in the current year, the taxpayer shall
31 report on a form prescribed by the department and pay an estimated tax
32 payment each June. Any other taxpayer may voluntarily elect to pay the
33 estimated tax payment pursuant to this subsection. The payment shall be made
34 on or before June 20 and is delinquent if not postmarked on or before that
35 date or if not received by the department on or before the business day
36 preceding the last business day of June for those taxpayers electing to file
37 by mail, or delinquent if not received by the department on the business day
38 preceding the last business day of June for those taxpayers electing to file
39 in person. The estimated tax paid shall be credited against the taxpayer's
40 tax liability under this article, article 6 of this chapter and chapter 6,
41 article 3 of this title for the month of June for the current calendar year.
42 The estimated tax payment shall equal either:

43 1. One-half of the actual tax liability under this article plus
44 one-half of any tax liability under article 6 of this chapter and chapter 6,
45 article 3 of this title for May of the current calendar year.

1 2. The actual tax liability under this article plus any tax liability
2 under article 6 of this chapter and chapter 6, article 3 of this title for
3 the first fifteen days of June of the current calendar year.

4 E. The taxpayer shall prepare a return showing the amount of the tax
5 for which the taxpayer is liable for the preceding month, and shall mail or
6 deliver the return to the department in the same manner and time as
7 prescribed for the payment of taxes in subsection A of this section. If the
8 taxpayer fails to file the return in the manner and time as prescribed for
9 the payment of taxes in subsection A of this section, the amount of the tax
10 required to be shown on the return is subject to the penalty imposed pursuant
11 to section 42-1125, subsection A, without any reduction for taxes paid on or
12 before the due date of the return. The return shall be verified by the oath
13 of the taxpayer or an authorized agent or as prescribed by the department
14 pursuant to section 42-1105, subsection B.

15 F. Any person who is taxable under this article and who makes cash and
16 credit sales shall report such cash and credit sales separately and upon
17 making application may obtain from the department an extension of time for
18 payment of taxes due on the credit sales. The extension shall be granted by
19 the department under such rules as the department prescribes. When the
20 extension is granted, the taxpayer shall thereafter include in each monthly
21 report all collections made on such credit sales during the month next
22 preceding and shall pay the taxes due at the time of filing such report.

23 G. The returns required under this article shall be made upon forms
24 prescribed by the department.

25 H. The department, for good cause, may extend the time for making any
26 return required by this article and may grant such reasonable additional time
27 within which to make the return as it deems proper, but the time for filing
28 the return shall not be extended beyond the first day of the third month next
29 succeeding the regular due date of the return.

30 I. The department, with the approval of the attorney general, may
31 abate small tax balances if the administration costs exceed the amount of tax
32 due.

33 J. For the purposes of subsection D of this section, "taxpayer" means
34 the business entity under which the business reports and pays state income
35 taxes regardless of the number of offices at which the taxes imposed by this
36 article, article 6 of this chapter or chapter 6, article 3 of this title are
37 collected.

38 Sec. 31. Section 42-5029, Arizona Revised Statutes, is amended to
39 read:

40 42-5029. Remission and distribution of monies; definition

41 A. The department shall deposit, pursuant to sections 35-146 and
42 35-147, all revenues collected under this article and articles 4, 5 and 8 of
43 this chapter pursuant to section 42-1116, separately accounting for:

44 1. Payments of estimated tax under section 42-5014, subsection D.

45 2. Revenues collected pursuant to section 42-5070.

1 3. Revenues collected under this article and article 5 of this chapter
2 from and after June 30, 2000 from sources located on Indian reservations in
3 this state.

4 4. Revenues collected pursuant to section 42-5010, subsection G and
5 section 42-5155, subsection D.

6 B. The department shall credit payments of estimated tax to an
7 estimated tax clearing account and each month shall transfer all monies in
8 the estimated tax clearing account to a fund designated as the transaction
9 privilege and severance tax clearing account. The department shall credit
10 all other payments to the transaction privilege and severance tax clearing
11 account, separately accounting for the monies designated as distribution base
12 under sections 42-5010, 42-5164, 42-5205 and 42-5353. Each month the
13 department shall report to the state treasurer the amount of monies collected
14 pursuant to this article and articles 4, 5 and 8 of this chapter.

15 C. On notification by the department, the state treasurer shall
16 distribute the monies deposited in the transaction privilege and severance
17 tax clearing account in the manner prescribed by this section and by sections
18 42-5164, 42-5205 and 42-5353, after deducting warrants drawn against the
19 account pursuant to sections 42-1118 and 42-1254.

20 D. Of the monies designated as distribution base the department shall:

21 1. Pay twenty-five per cent to the various incorporated municipalities
22 in this state in proportion to their population to be used by the
23 municipalities for any municipal purpose.

24 2. Pay 38.08 per cent to the counties in this state by averaging the
25 following proportions:

26 (a) The proportion that the population of each county bears to the
27 total state population.

28 (b) The proportion that the distribution base monies collected during
29 the calendar month in each county under this article, section 42-5164,
30 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
31 total distribution base monies collected under this article, section 42-5164,
32 subsection B, section 42-5205, subsection B and section 42-5353 throughout
33 the state for the calendar month.

34 3. Pay an additional 2.43 per cent to the counties in this state as
35 follows:

36 (a) Average the following proportions:

37 (i) The proportion that the assessed valuation used to determine
38 secondary property taxes of each county, after deducting that part of the
39 assessed valuation that is exempt from taxation at the beginning of the month
40 for which the amount is to be paid, bears to the total assessed valuations
41 used to determine secondary property taxes of all the counties after
42 deducting that portion of the assessed valuations that is exempt from
43 taxation at the beginning of the month for which the amount is to be paid.
44 Property of a city or town that is not within or contiguous to the municipal
45 corporate boundaries and from which water is or may be withdrawn or diverted

1 and transported for use on other property is considered to be taxable
2 property in the county for purposes of determining assessed valuation in the
3 county under this item.

4 (ii) The proportion that the distribution base monies collected during
5 the calendar month in each county under this article, section 42-5164,
6 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
7 total distribution base monies collected under this article, section 42-5164,
8 subsection B, section 42-5205, subsection B and section 42-5353 throughout
9 the state for the calendar month.

10 (b) If the proportion computed under subdivision (a) of this paragraph
11 for any county is greater than the proportion computed under paragraph 2 of
12 this subsection, the department shall compute the difference between the
13 amount distributed to that county under paragraph 2 of this subsection and
14 the amount that would have been distributed under paragraph 2 of this
15 subsection using the proportion computed under subdivision (a) of this
16 paragraph and shall pay that difference to the county from the amount
17 available for distribution under this paragraph. Any monies remaining after
18 all payments under this subdivision shall be distributed among the counties
19 according to the proportions computed under paragraph 2 of this subsection.

20 4. After any distributions required by sections 42-5030, 42-5030.01,
21 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water
22 quality assurance revolving fund as required by section 49-282, subsection B,
23 credit the remainder of the monies designated as distribution base to the
24 state general fund. From this amount:—

25 (a) the legislature shall annually appropriate to:

26 (i) (a) The department of revenue sufficient monies to administer and
27 enforce this article and articles 5 and 8 of this chapter.

28 (ii) (b) The department of economic security monies to be used for
29 the purposes stated in title 46, chapter 1.

30 (iii) (c) The firearms safety and ranges fund established by section
31 17-273, fifty thousand dollars derived from the taxes collected from the
32 retail classification pursuant to section 42-5061 for the current fiscal
33 year.

34 ~~(b) The state treasurer shall transfer to the tourism fund an amount~~
35 ~~equal to the sum of the following:~~

36 ~~(i) Three and one half per cent of the gross revenues derived from the~~
37 ~~transient lodging classification pursuant to section 42-5070 during the~~
38 ~~preceding fiscal year.~~

39 ~~(ii) Three per cent of the gross revenues derived from the amusement~~
40 ~~classification pursuant to section 42-5073 during the preceding fiscal year.~~

41 ~~(iii) Two per cent of the gross revenues derived from the restaurant~~
42 ~~classification pursuant to section 42-5074 during the preceding fiscal year.~~

43 E. If approved by the qualified electors voting at a statewide general
44 election, all monies collected pursuant to section 42-5010, subsection G and
45 section 42-5155, subsection D shall be distributed each fiscal year pursuant

1 to this subsection. The monies distributed pursuant to this subsection are
2 in addition to any other appropriation, transfer or other allocation of
3 public or private monies from any other source and shall not supplant,
4 replace or cause a reduction in other school district, charter school,
5 university or community college funding sources. The monies shall be
6 distributed as follows:

7 1. If there are outstanding state school facilities revenue bonds
8 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
9 amount that is necessary to pay the fiscal year's debt service on outstanding
10 state school improvement revenue bonds for the current fiscal year shall be
11 transferred each month to the school improvement revenue bond debt service
12 fund established by section 15-2084. The total amount of bonds for which
13 these monies may be allocated for the payment of debt service shall not
14 exceed a principal amount of eight hundred million dollars exclusive of
15 refunding bonds and other refinancing obligations.

16 2. After any transfer of monies pursuant to paragraph 1 of this
17 subsection, twelve per cent of the remaining monies collected during the
18 preceding month shall be transferred to the technology and research
19 initiative fund established by section 15-1648 to be distributed among the
20 universities for the purpose of investment in technology and research-based
21 initiatives.

22 3. After the transfer of monies pursuant to paragraph 1 of this
23 subsection, three per cent of the remaining monies collected during the
24 preceding month shall be transferred to the workforce development account
25 established in each community college district pursuant to section 15-1472
26 for the purpose of investment in workforce development programs.

27 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
28 subsection, one-twelfth of the amount a community college that is owned,
29 operated or chartered by a qualifying Indian tribe on its own Indian
30 reservation would receive pursuant to section 15-1472, subsection D,
31 paragraph 2 if it were a community college district shall be distributed each
32 month to the treasurer or other designated depository of a qualifying Indian
33 tribe. Monies distributed pursuant to this paragraph are for the exclusive
34 purpose of providing support to one or more community colleges owned,
35 operated or chartered by a qualifying Indian tribe and shall be used in a
36 manner consistent with section 15-1472, subsection B. For the purposes of
37 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
38 section 42-5031.01, subsection D.

39 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
40 subsection, one-twelfth of the following amounts shall be transferred each
41 month to the department of education for the increased cost of basic state
42 aid under section 15-971 due to added school days and associated teacher
43 salary increases enacted in 2000:

44 (a) In fiscal year 2001-2002, \$15,305,900.

45 (b) In fiscal year 2002-2003, \$31,530,100.

1 (c) In fiscal year 2003-2004, \$48,727,700.

2 (d) In fiscal year 2004-2005, \$66,957,200.

3 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
4 \$86,280,500.

5 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
6 subsection, seven million eight hundred thousand dollars is appropriated each
7 fiscal year, to be paid in monthly installments, to the department of
8 education to be used for school safety as provided in section 15-154 and two
9 hundred thousand dollars is appropriated each fiscal year, to be paid in
10 monthly installments to the department of education to be used for the
11 character education matching grant program as provided in section 15-154.01.

12 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
13 subsection, no more than seven million dollars may be appropriated by the
14 legislature each fiscal year to the department of education to be used for
15 accountability purposes as described in section 15-241 and title 15, chapter
16 9, article 8.

17 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
18 subsection, one million five hundred thousand dollars is appropriated each
19 fiscal year, to be paid in monthly installments, to the failing schools
20 tutoring fund established by section 15-241.

21 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
22 subsection, twenty-five million dollars shall be transferred each fiscal year
23 to the state general fund to reimburse the general fund for the cost of the
24 income tax credit allowed by section 43-1072.01.

25 10. After the payment of monies pursuant to paragraphs 1 through 9 of
26 this subsection, the remaining monies collected during the preceding month
27 shall be transferred to the classroom site fund established by section
28 15-977. The monies shall be allocated as follows in the manner prescribed by
29 section 15-977:

30 (a) Forty per cent shall be allocated for teacher compensation based
31 on performance.

32 (b) Twenty per cent shall be allocated for increases in teacher base
33 compensation and employee related expenses.

34 (c) Forty per cent shall be allocated for maintenance and operation
35 purposes.

36 F. The department shall credit the remainder of the monies in the
37 transaction privilege and severance tax clearing account to the state general
38 fund, subject to any distribution required by section 42-5030.01.

39 G. Notwithstanding subsection D of this section, if a court of
40 competent jurisdiction finally determines that tax monies distributed under
41 this section were illegally collected under this article or articles 5 and 8
42 of this chapter and orders the monies to be refunded to the taxpayer, the
43 department shall compute the amount of such monies that was distributed to
44 each city, town and county under this section. The department shall notify
45 the state treasurer of that amount plus the proportionate share of additional

1 allocated costs required to be paid to the taxpayer. Each city's, town's and
2 county's proportionate share of the costs shall be based on the amount of the
3 original tax payment each municipality and county received. Each month the
4 state treasurer shall reduce the amount otherwise distributable to the city,
5 town and county under this section by one thirty-sixth of the total amount to
6 be recovered from the city, town or county until the total amount has been
7 recovered, but the monthly reduction for any city, town or county shall not
8 exceed ten per cent of the full monthly distribution to that entity. The
9 reduction shall begin for the first calendar month after the final
10 disposition of the case and shall continue until the total amount, including
11 interest and costs, has been recovered.

12 H. On receiving a certificate of default from the greater Arizona
13 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the
14 extent not otherwise expressly prohibited by law, the state treasurer shall
15 withhold from the next succeeding distribution of monies pursuant to this
16 section due to the defaulting political subdivision the amount specified in
17 the certificate of default and immediately deposit the amount withheld in the
18 greater Arizona development authority revolving fund. The state treasurer
19 shall continue to withhold and deposit the monies until the greater Arizona
20 development authority certifies to the state treasurer that the default has
21 been cured. In no event may the state treasurer withhold any amount that the
22 defaulting political subdivision certifies to the state treasurer and the
23 authority as being necessary to make any required deposits then due for the
24 payment of principal and interest on bonds of the political subdivision that
25 were issued before the date of the loan repayment agreement or bonds and that
26 have been secured by a pledge of distributions made pursuant to this section.

27 I. Except as provided by sections 42-5033 and 42-5033.01, the
28 population of a county, city or town as determined by the most recent United
29 States decennial census plus any revisions to the decennial census certified
30 by the United States bureau of the census shall be used as the basis for
31 apportioning monies pursuant to subsection D of this section.

32 J. Except as otherwise provided by this subsection, on notice from the
33 department of revenue pursuant to section 42-6010, subsection B, the state
34 treasurer shall withhold from the distribution of monies pursuant to this
35 section to the affected city or town the amount of the penalty for business
36 location municipal tax incentives provided by the city or town to a business
37 entity that locates a retail business facility in the city or town. The
38 state treasurer shall continue to withhold monies pursuant to this subsection
39 until the entire amount of the penalty has been withheld. The state
40 treasurer shall credit any monies withheld pursuant to this subsection to the
41 state general fund as provided by subsection D, paragraph 4 of this section.
42 The state treasurer shall not withhold any amount that the city or town
43 certifies to the department of revenue and the state treasurer as being
44 necessary to make any required deposits or payments for debt service on bonds

1 or other long-term obligations of the city or town that were issued or
2 incurred before the location incentives provided by the city or town.

3 K. ON NOTICE FROM THE AUDITOR GENERAL PURSUANT TO SECTION 9-626,
4 SUBSECTION D, THE STATE TREASURER SHALL WITHHOLD FROM THE DISTRIBUTION OF
5 MONIES PURSUANT TO THIS SECTION TO THE AFFECTED CITY THE AMOUNT COMPUTED
6 PURSUANT TO SECTION 9-626, SUBSECTION D. THE STATE TREASURER SHALL CONTINUE
7 TO WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE ENTIRE AMOUNT
8 SPECIFIED IN THE NOTICE HAS BEEN WITHHELD. THE STATE TREASURER SHALL CREDIT
9 ANY MONIES WITHHELD PURSUANT TO THIS SUBSECTION TO THE STATE GENERAL FUND AS
10 PROVIDED BY SUBSECTION D, PARAGRAPH 4 OF THIS SECTION.

11 ~~K.~~ L. For the purposes of this section, "community college district"
12 means a community college district that is established pursuant to sections
13 15-1402 and 15-1403 and that is a political subdivision of this state.

14 Sec. 32. Section 42-5070, Arizona Revised Statutes, is amended to
15 read:

16 42-5070. Transient lodging classification: definition

17 A. The transient lodging classification is comprised of the business
18 of operating, for occupancy by transients, a hotel or motel, including an
19 inn, tourist home or house, dude ranch, resort, campground, studio or
20 bachelor hotel, lodging house, rooming house, apartment house, dormitory,
21 public or private club, mobile home or house trailer at a fixed location or
22 other similar structure, and also including a space, lot or slab which is
23 occupied or intended or designed for occupancy by transients in a mobile home
24 or house trailer furnished by them for such occupancy.

25 B. The transient lodging classification does not include:

26 1. Operating a convalescent home or facility, home for the aged,
27 hospital, jail, military installation or fraternity or sorority house or
28 operating any structure exclusively by an association, institution,
29 governmental agency or corporation for religious, charitable or educational
30 purposes, if no part of the net earnings of the association, corporation or
31 other entity inures to the benefit of any private shareholder or individual.

32 2. A lease or rental of a mobile home or house trailer at a fixed
33 location or any other similar structure, and also including a space, lot or
34 slab which is occupied or intended or designed for occupancy by transients in
35 a mobile home or house trailer furnished by them for such occupancy for
36 thirty or more consecutive days.

37 3. Leasing or renting four or fewer rooms of an owner-occupied
38 residential home, together with furnishing no more than a breakfast meal, to
39 transient lodgers at no more than a fifty per cent average annual occupancy
40 rate.

41 C. The tax base for the transient lodging classification is the gross
42 proceeds of sales or gross income derived from the business, except that the
43 tax base does not include:

44 1. Gross proceeds of sales or gross income derived from business
45 activity that is properly included in another business classification under

1 this article and that is taxable to the person engaged in that business
2 classification, but the gross proceeds of sales or gross income to be
3 deducted shall not exceed the consideration paid to the person conducting the
4 activity.

5 2. Gross proceeds of sales or gross income from leases or rentals of
6 lodging space to a motion picture production company if, at the time of lease
7 or rental, the motion picture production company presents to the business its
8 certificate of qualification that is issued pursuant to section 42-5009,
9 subsection H.

10 D. For the purposes of this section, the tax base for the transient
11 lodging classification does not include gross proceeds of sales or gross
12 income derived from:

13 1. Transactions or activities that are not limited to transients and
14 that would not be taxable if engaged in by a person not subject to tax under
15 this article.

16 2. Transactions or activities that are not limited to transients and
17 that would not be taxable if engaged in by a person subject to taxation under
18 section 42-5062 or 42-5073 due to an exclusion, exemption or deduction.

19 3. Commissions paid to a person that is engaged in transient lodging
20 business subject to taxation under this section by a person providing
21 services or property to the customers of the person engaging in the transient
22 lodging business.

23 ~~E. The department shall separately account for revenues collected~~
24 ~~under the transient lodging classification for purposes of section 42-5029,~~
25 ~~subsection D, paragraph 4, subdivision (b).~~

26 F. E. For the purposes of this section, "transient" means any person
27 who either at the person's own expense or at the expense of another obtains
28 lodging space or the use of lodging space on a daily or weekly basis, or on
29 any other basis for less than thirty consecutive days.

30 Sec. 33. Section 42-5073, Arizona Revised Statutes, is amended to
31 read:

32 42-5073. Amusement classification

33 A. The amusement classification is comprised of the business of
34 operating or conducting theaters, movies, operas, shows of any type or
35 nature, exhibitions, concerts, carnivals, circuses, amusement parks,
36 menageries, fairs, races, contests, games, billiard or pool parlors, bowling
37 alleys, public dances, dance halls, boxing and wrestling matches, skating
38 rinks, tennis courts, except as provided in subsection B of this section,
39 video games, pinball machines, sports events or any other business charging
40 admission or user fees for exhibition, amusement or entertainment, including
41 the operation or sponsorship of events by a tourism and sports authority
42 under title 5, chapter 8. For purposes of this section, admission or user
43 fees include, but are not limited to, any revenues derived from any form of
44 contractual agreement for rights to or use of premium or special seating
45 facilities or arrangements. The amusement classification does not include:

1 1. Activities or projects of bona fide religious or educational
2 institutions.

3 2. Private or group instructional activities. For the purposes of
4 this paragraph, "private or group instructional activities" includes, but is
5 not limited to, performing arts, martial arts, gymnastics and aerobic
6 instruction.

7 3. The operation or sponsorship of events by the Arizona exposition
8 and state fair board or county fair commissions.

9 4. A musical, dramatic or dance group or a botanical garden, museum or
10 zoo that is qualified as a nonprofit charitable organization under section
11 501(c)(3) of the United States internal revenue code and if no part of its
12 net income inures to the benefit of any private shareholder or individual.

13 5. Exhibition events in this state sponsored, conducted or operated by
14 a nonprofit organization that is exempt from taxation under section
15 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
16 organization is associated with major league baseball teams or a national
17 touring professional golfing association and no part of the organization's
18 net earnings inures to the benefit of any private shareholder or individual.

19 6. Operating or sponsoring rodeos that feature primarily farm and
20 ranch animals in this state and that are sponsored, conducted or operated by
21 a nonprofit organization that is exempt from taxation under section
22 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
23 revenue code and no part of the organization's net earnings inures to the
24 benefit of any private shareholder or individual.

25 7. Sales of admissions to intercollegiate football contests if the
26 contests are both:

27 (a) Operated by a nonprofit organization that is exempt from taxation
28 under section 501(c)(3) of the internal revenue code and no part of the
29 organization's net earnings inures to the benefit of any private shareholder
30 or individual.

31 (b) Not held in a multipurpose facility that is owned or operated by
32 the tourism and sports authority pursuant to title 5, chapter 8.

33 8. Activities and events of, or fees and assessments received by, a
34 homeowners organization from persons who are members of the organization or
35 accompanied guests of members. For the purposes of this paragraph,
36 "homeowners organization" means a mandatory membership organization comprised
37 of owners of residential property within a specified residential real estate
38 subdivision development or similar area and established to own property for
39 the benefit of its members where both of the following apply:

40 (a) No part of the organization's net earnings inures to the benefit
41 of any private shareholder or individual.

42 (b) The primary purpose of the organization is to provide for the
43 acquisition, construction, management, maintenance or care of organization
44 property.

1 9. Activities and events of, or fees received by, a nonprofit
2 organization that is exempt from taxation under section 501(c)(6) of the
3 internal revenue code if the organization produces, organizes or promotes
4 cultural or civic related festivals or events and no part of the
5 organization's net earnings inures to the benefit of any private shareholder
6 or individual.

7 10. Arranging an amusement activity as a service to a person's
8 customers if that person is not otherwise engaged in the business of
9 operating or conducting an amusement ~~themselves~~ PERSONALLY or through others.
10 This exception does not apply to businesses that operate or conduct
11 amusements pursuant to customer orders and send the billings and receive the
12 payments associated with that activity, including when the amusement is
13 performed by third party independent contractors. For the purposes of this
14 paragraph, "arranging" includes billing for or collecting amusement charges
15 from a person's customers on behalf of the persons providing the amusement.

16 B. The tax base for the amusement classification is the gross proceeds
17 of sales or gross income derived from the business, except that the following
18 shall be deducted from the tax base:

19 1. The gross proceeds of sales or gross income derived from
20 memberships, including initiation fees, which provide for the right to use a
21 health or fitness establishment or a private recreational establishment, or
22 any portion of an establishment, including tennis and other racquet courts at
23 that establishment, for participatory purposes for twenty-eight days or more
24 and fees charged for use of the health or fitness establishment or private
25 recreational establishment by bona fide accompanied guests of members, except
26 that this paragraph does not include additional fees, other than initiation
27 fees, charged by a health or fitness establishment or a private recreational
28 establishment for purposes other than memberships which provide for the right
29 to use a health or fitness establishment or private recreational
30 establishment, or any portion of an establishment, for participatory purposes
31 for twenty-eight days or more and accompanied guest use fees.

32 2. Amounts that are exempt under section 5-111, subsection H.

33 3. The gross proceeds of sales or gross income derived from membership
34 fees, including initiation fees, that provide for the right to use a
35 transient lodging recreational establishment, including golf courses and
36 tennis and other racquet courts at that establishment, for participatory
37 purposes for twenty-eight days or more, except that this paragraph does not
38 include additional fees, other than initiation fees, that are charged by a
39 transient lodging recreational establishment for purposes other than
40 memberships and that provide for the right to use a transient lodging
41 recreational establishment or any portion of the establishment for
42 participatory purposes for twenty-eight days or more.

43 4. The gross proceeds of sales or gross income derived from sales to
44 persons engaged in the business of transient lodging classified under section
45 42-5070, if all of the following apply:

1 (a) The persons who are engaged in the transient lodging business sell
2 the amusement to another person for consideration.

3 (b) The consideration received by the transient lodging business is
4 equal to or greater than the amount to be deducted under this subsection.

5 (c) The transient lodging business has provided an exemption
6 certificate to the person engaging in business under this section.

7 5. The gross proceeds of sales or gross income derived from:

8 (a) Business activity that is properly included in any other business
9 classification under this article and that is taxable to the person engaged
10 in that classification, but the gross proceeds of sales or gross income to be
11 deducted shall not exceed the consideration paid to the person conducting the
12 activity.

13 (b) Business activity that is arranged by the person who is subject to
14 tax under this section and that is not taxable to the person conducting the
15 activity due to an exclusion, exemption or deduction under this section or
16 section 42-5062, but the gross proceeds of sales or gross income to be
17 deducted shall not exceed the consideration paid to the person conducting the
18 activity.

19 (c) Business activity that is arranged by a person who is subject to
20 tax under this section and that is taxable to another person under this
21 section who conducts the activity, but the gross proceeds of sales or gross
22 income to be deducted shall not exceed the consideration paid to the person
23 conducting the activity.

24 C. For the purposes of subsection B of this section:

25 1. "Health or fitness establishment" means a facility whose primary
26 purpose is to provide facilities, equipment, instruction or education to
27 promote the health and fitness of its members and at least eighty per cent of
28 the monthly gross revenue of the facility is received through accounts of
29 memberships and accompanied guest use fees which provide for the right to use
30 the facility, or any portion of the facility, under the terms of the
31 membership agreement for participatory purposes for twenty-eight days or
32 more.

33 2. "Private recreational establishment" means a facility whose primary
34 purpose is to provide recreational facilities, such as tennis, golf and
35 swimming, for its members and where at least eighty per cent of the monthly
36 gross revenue of the facility is received through accounts of memberships and
37 accompanied guest use fees which provide for the right to use the facility,
38 or any portion of the facility, for participatory purposes for twenty-eight
39 days or more.

40 3. "Transient lodging recreational establishment" means a facility
41 whose primary purpose is to provide facilities for transient lodging, that is
42 subject to taxation under this chapter and that also provides recreational
43 facilities, such as tennis, golf and swimming, for members for a period of
44 twenty-eight days or more.

1 D. Until December 31, 1988, the revenues from hayrides and other
2 animal-drawn amusement rides, from horseback riding and riding instruction
3 and from recreational tours using motor vehicles designed to operate on and
4 off public highways are exempt from the tax imposed by this section.
5 Beginning January 1, 1989, the gross proceeds or gross income from hayrides
6 and other animal-drawn amusement rides, from horseback riding and from
7 recreational tours using motor vehicles designed to operate on and off public
8 highways are subject to taxation under this section. Tax liabilities,
9 penalties and interest paid for taxable periods before January 1, 1989 shall
10 not be refunded unless the taxpayer requesting the refund provides proof
11 satisfactory to the department that the taxes will be returned to the
12 customer.

13 E. If a person is engaged in the business of offering both exhibition,
14 amusement or entertainment and private or group instructional activities, the
15 person's books shall be kept to show separately the gross income from
16 exhibition, amusement or entertainment and the gross income from
17 instructional activities. If the books do not provide this separate
18 accounting, the tax is imposed on the person's total gross income from the
19 business.

20 ~~F. The department shall separately account for revenues collected~~
21 ~~under the amusement classification for purposes of section 42-5029,~~
22 ~~subsection D, paragraph 4, subdivision (b).~~

23 ~~G.~~ F. For purposes of section 42-5032.01, the department shall
24 separately account for revenues collected under the amusement classification
25 from sales of admissions to:

26 1. Events that are held in a multipurpose facility that is owned or
27 operated by the tourism and sports authority pursuant to title 5, chapter 8,
28 including intercollegiate football contests that are operated by a nonprofit
29 organization that is exempt from taxation under section 501(c)(3) of the
30 internal revenue code.

31 2. Professional football contests that are held in a stadium located
32 on the campus of an institution under the jurisdiction of the Arizona board
33 of regents.

34 Sec. 34. Section 42-5074, Arizona Revised Statutes, is amended to
35 read:

36 42-5074. Restaurant classification

37 A. The restaurant classification is comprised of the business of
38 operating restaurants, dining cars, dining rooms, lunchrooms, lunch stands,
39 soda fountains, catering services or similar establishments where articles of
40 food or drink are sold for consumption on or off the premises.

41 B. The tax base for the restaurant classification is the gross
42 proceeds of sales or gross income derived from the business. The gross
43 proceeds of sales or gross income derived from the following shall be
44 deducted from the tax base:

1 1. Sales to a person engaged in business classified under the
2 restaurant classification if the items sold are to be resold in the regular
3 course of the business.

4 2. Sales by a congressionally chartered veterans organization of food
5 or drink prepared for consumption on the premises leased, owned or maintained
6 by the organization.

7 3. Sales by churches, fraternal benefit societies and other nonprofit
8 organizations, as these organizations are defined in the federal internal
9 revenue code (26 United States Code section 501), which do not regularly
10 engage or continue in the restaurant business for the purpose of
11 fund-raising.

12 4. Sales by a nonprofit organization that is exempt from taxation
13 under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code
14 if the organization is associated with a major league baseball team or a
15 national touring professional golfing association and no part of the
16 organization's net earnings inures to the benefit of any private shareholder
17 or individual.

18 5. Sales at a rodeo featuring primarily farm and ranch animals in this
19 state by a nonprofit organization that is exempt from taxation under section
20 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
21 revenue code and no part of the organization's net earnings inures to the
22 benefit of any private shareholder or individual.

23 6. Sales by any nonprofit organization organized and operated
24 exclusively for charitable purposes and recognized by the United States
25 internal revenue service under section 501(c)(3) of the internal revenue
26 code.

27 7. Sales to qualifying hospitals as defined in section 42-5001.

28 8. Sales to a qualifying health care organization as defined in
29 section 42-5001 if the tangible personal property is used by the organization
30 solely to provide health and medical related educational and charitable
31 services.

32 9. Sales of food, drink and condiment for consumption within the
33 premises of any prison, jail or other institution under the jurisdiction of
34 the state department of corrections, the department of public safety, the
35 department of juvenile corrections or a county sheriff.

36 10. Sales of catered food, drink and condiment to a motion picture
37 production company. To qualify for this deduction, at the time of purchase,
38 the motion picture production company must present to the business its
39 certificate of qualification that is issued pursuant to section 42-5009,
40 subsection H and that establishes its qualification for the deduction.

41 11. Sales of articles of prepared or unprepared food, drink or
42 condiment and accessory tangible personal property to a school district or
43 charter school if the articles and accessory tangible personal property are
44 served to persons for consumption on the premises of a public school in the
45 school district or charter school during school hours.

1 12. Prepared food, drink or condiment donated by a restaurant to a
2 nonprofit charitable organization that has qualified under section 501(c)(3)
3 of the internal revenue code and that regularly serves meals to the needy and
4 indigent on a continuing basis at no cost.

5 C. The tax imposed on the restaurant classification pursuant to this
6 section does not apply to the gross proceeds of sales or gross income from
7 tangible personal property sold to a commercial airline consisting of food,
8 beverages and condiments and accessories used for serving the food and
9 beverages, if those items are to be provided without additional charge to
10 passengers for consumption in flight. For the purposes of this subsection,
11 "commercial airline" means a person holding a federal certificate of public
12 convenience and necessity or foreign air carrier permit for air
13 transportation to transport persons, property or United States mail in
14 intrastate, interstate or foreign commerce.

15 ~~D. The department shall separately account for revenues collected~~
16 ~~under the restaurant classification for purposes of section 42-5029,~~
17 ~~subsection D, paragraph 4, subdivision (b).~~

18 E. D. For purposes of section 42-5032.01, the department shall
19 separately account for revenues collected under the restaurant classification
20 from businesses operating restaurants, dining rooms, lunchrooms, lunch
21 stands, soda fountains, catering services or similar establishments:

22 1. On the premises of a multipurpose facility that is owned or
23 operated by the tourism and sports authority pursuant to title 5, chapter 8
24 for consumption on or off the premises.

25 2. At professional football contests that are held in a stadium
26 located on the campus of an institution under the jurisdiction of the Arizona
27 board of regents.

28 Sec. 35. Title 43, chapter 4, article 2, Arizona Revised Statutes, is
29 amended by adding sections 43-418 and 43-419, to read:

30 43-418. Registration; payroll service company

31 A. FOR WITHHOLDING TAX RETURNS DUE TO BE FILED FROM AND AFTER MAY 31,
32 2011, A PERSON SHALL NOT ACT AS A PAYROLL SERVICE COMPANY UNLESS THE PERSON
33 IS REGISTERED WITH THE DEPARTMENT UNDER THIS SECTION.

34 B. A PERSON SHALL APPLY TO THE DEPARTMENT ELECTRONICALLY FOR
35 REGISTRATION AS A PAYROLL SERVICE COMPANY UNDER THIS SUBSECTION AND THE
36 DEPARTMENT SHALL GRANT THE APPLICATION IF THE APPLICATION INDICATES THAT THE
37 PERSON WILL COMPLY WITH THIS SECTION.

38 C. A PAYROLL SERVICE COMPANY REGISTERED WITH THE DEPARTMENT UNDER THIS
39 SECTION SHALL:

40 1. BE AUTHORIZED IN WRITING PURSUANT TO SECTION 42-2003 BY EACH CLIENT
41 TO ACT ON BEHALF OF THE CLIENT WITH RESPECT TO THIS STATE'S WITHHOLDING TAX.

42 2. KEEP A CLIENT'S MONIES HELD FOR PAYMENT OF STATE WITHHOLDING TAXES
43 OR OTHER OBLIGATIONS IN AN ACCOUNT SEPARATE FROM THE PAYROLL SERVICE
44 COMPANY'S OWN MONIES.

1 3. MAKE PAYMENTS ELECTRONICALLY AND FILE RETURNS ELECTRONICALLY WITH
2 THE DEPARTMENT IN COMPLIANCE WITH THE DEPARTMENT'S REQUIREMENTS FOR
3 ELECTRONIC PAYMENTS AND ELECTRONIC FILING.

4 4. ELECTRONICALLY PROVIDE TO THE DEPARTMENT A CLIENT LIST AND
5 ELECTRONICALLY UPDATE THE CLIENT LIST AT LEAST MONTHLY, BY THE FIRST OF EVERY
6 MONTH. THE CLIENT LIST SHALL INCLUDE AT LEAST THE NAME, ADDRESS, TAX
7 IDENTIFICATION NUMBER AND FEDERAL DEPOSIT FREQUENCY OF EACH CLIENT. THE
8 ADDRESS LISTED FOR THE CLIENT MUST BE THE CLIENT'S ACTUAL STREET OR POST
9 OFFICE BOX ADDRESS AND NOT THE PAYROLL SERVICE COMPANY'S ADDRESS.

10 5. TIMELY FILE ALL RETURNS AND TIMELY MAKE ALL WITHHOLDING TAX
11 PAYMENTS REQUIRED UNDER ITS CONTRACTS WITH ITS CLIENTS.

12 6. ON REQUEST, PROVIDE TO THE DEPARTMENT, WITHIN THE TIME SPECIFIED IN
13 THE REQUEST, A COPY OF ANY CONTRACT WITH A CLIENT.

14 7. COMPLY WITH ALL OTHER REQUIREMENTS OF THIS SECTION OR RULES ADOPTED
15 PURSUANT TO THIS SECTION.

16 D. A PAYROLL SERVICE COMPANY MAY TERMINATE ITS REGISTRATION BY WRITTEN
17 NOTICE TO THE DEPARTMENT.

18 E. FOR THE PURPOSES OF THIS SECTION:

19 1. "CLIENT" MEANS ANOTHER EMPLOYER FOR WHOM A PAYROLL SERVICE COMPANY
20 PROVIDES PAYROLL SERVICES FOR A FEE.

21 2. "PAYROLL SERVICE COMPANY" MEANS A PERSON WHO HAS CUSTODY OR CONTROL
22 OVER A CLIENT'S MONIES FOR THE PURPOSE OF PAYING THE WITHHELD TAXES AND
23 FILING RETURNS OF A CLIENT WITH THE DEPARTMENT.

24 3. "PERSON" MEANS AN INDIVIDUAL, FIDUCIARY, PARTNERSHIP, CORPORATION,
25 LIMITED LIABILITY COMPANY, ASSOCIATION OR OTHER ENTITY ORGANIZED UNDER THE
26 LAWS OF THIS STATE OR ANY OTHER JURISDICTION.

27 43-419. Electronic remittance and filing required by payroll
28 service company; penalty; definitions

29 A. FOR WITHHOLDING TAX RETURNS DUE TO BE FILED FROM AND AFTER MAY 31,
30 2011, A PAYROLL SERVICE COMPANY REMITTING AMOUNTS DUE AS PRESCRIBED IN
31 SECTION 43-401, SUBSECTION E ON BEHALF OF A CLIENT SHALL MAKE ALL PAYMENTS
32 ELECTRONICALLY. IF A PAYROLL SERVICE COMPANY REMITS A PAYMENT IN A MANNER
33 OTHER THAN ELECTRONICALLY, THE PAYROLL SERVICE COMPANY SHALL PAY A PENALTY IN
34 THE AMOUNT OF TWENTY-FIVE DOLLARS PER CLIENT, PER PAYMENT, UNLESS IT IS SHOWN
35 THAT THE FAILURE TO PAY ELECTRONICALLY IS DUE TO REASONABLE CAUSE AND NOT DUE
36 TO WILFUL NEGLECT.

37 B. FOR WITHHOLDING TAX RETURNS DUE TO BE FILED FROM AND AFTER MAY 31,
38 2011, A PAYROLL SERVICE COMPANY RECONCILING AMOUNTS PAYABLE DURING THE
39 PRECEDING QUARTER IN ACCORDANCE WITH SECTION 43-401, SUBSECTION E ON BEHALF
40 OF A CLIENT SHALL FILE ALL REQUIRED QUARTERLY RETURNS ELECTRONICALLY. IF A
41 PAYROLL SERVICE COMPANY FILES A REQUIRED QUARTERLY RETURN IN A MANNER OTHER
42 THAN ELECTRONICALLY, THE PAYROLL SERVICE COMPANY SHALL PAY A PENALTY IN THE
43 AMOUNT OF TWENTY-FIVE DOLLARS PER CLIENT, PER RETURN, UNLESS IT IS SHOWN THAT
44 THE FAILURE TO FILE ELECTRONICALLY IS DUE TO REASONABLE CAUSE AND NOT DUE TO
45 WILFUL NEGLECT.

1 C. FOR WITHHOLDING TAX RETURNS DUE TO BE FILED FROM AND AFTER MAY 31,
2 2011, A PAYROLL SERVICE COMPANY FILING AN ANNUAL PAYMENT RETURN AS ALLOWED BY
3 RULE AND IN ACCORDANCE WITH SECTION 43-401, SUBSECTION E ON BEHALF OF A
4 CLIENT SHALL FILE ALL REQUIRED ANNUAL RETURNS ELECTRONICALLY. IF A PAYROLL
5 SERVICE COMPANY FILES A REQUIRED ANNUAL RETURN IN A MANNER OTHER THAN
6 ELECTRONICALLY, THE PAYROLL SERVICE COMPANY SHALL PAY A PENALTY IN THE AMOUNT
7 OF TWENTY-FIVE DOLLARS PER CLIENT, PER RETURN, UNLESS IT IS SHOWN THAT THE
8 FAILURE TO FILE ELECTRONICALLY IS DUE TO REASONABLE CAUSE AND NOT DUE TO
9 WILFUL NEGLIGENCE.

10 D. FOR THE PURPOSES OF THIS SECTION, "CLIENT", "PAYROLL SERVICE
11 COMPANY" AND "PERSON" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 43-418.

12 Sec. 36. Section 43-581, Arizona Revised Statutes, is amended to read:
13 43-581. Payment of estimated tax; penalty; forms

14 A. An individual who is subject to the tax imposed by this title and
15 whose Arizona gross income, as defined by section 43-1001, or as described by
16 section 43-1091 in the case of nonresidents, for the taxable year exceeds
17 seventy-five thousand dollars or one hundred fifty thousand dollars if a
18 joint return is filed and whose Arizona gross income was greater than
19 seventy-five thousand dollars in the preceding taxable year or one hundred
20 fifty thousand dollars in the preceding taxable year if a joint return is
21 filed, shall make payments of estimated tax during the individual's tax year.
22 The amount of the payments of estimated tax shall be an amount which
23 reasonably reflects a taxpayer's Arizona income tax liability which will be
24 unpaid at the end of the taxpayer's tax year. This amount shall be paid in
25 four installments on or before the due dates established by the internal
26 revenue code and shall total, when combined with the taxpayer's withholding
27 tax, at least ninety per cent of the tax due for the current taxable year or
28 one hundred per cent of the tax due for the preceding taxable year.

29 B. Any other individual who is subject to the tax imposed by this
30 title may make payments of estimated tax during such individual's tax year.
31 The amount of any payment of estimated tax shall be either:

32 1. If payments of estimated tax are made pursuant to the internal
33 revenue code, ten, fifteen or twenty per cent of the amount paid to the
34 internal revenue service as estimated tax computed pursuant to the internal
35 revenue code and the income tax act of 1954, as amended, to be paid on or
36 before the due dates established by the internal revenue code.

37 2. If no federal estimated tax payments are required to be made, an
38 amount which reasonably reflects a taxpayer's Arizona income tax liability
39 which will be unpaid at the end of such taxpayer's tax year.

40 C. The department shall prescribe rules for the payments of estimated
41 tax which shall provide for estimated payments in a manner similar to the
42 manner prescribed in the internal revenue code.

43 D. If the taxpayer does not pay the estimated tax required by
44 subsection A of this section on or before the prescribed dates, there is
45 assessed and the department shall collect a penalty upon the unpaid amount as

1 prescribed by section 42-1125, subsection P- Q. No penalties or interest
2 shall be assessed or collected if either of the following applies:

3 1. The estimated tax payments made pursuant to this section are
4 allowable exceptions under ~~the provisions of~~ section 6654 of the internal
5 revenue code.

6 2. The taxpayer's Arizona income tax liability due on the taxpayer's
7 return is less than one thousand dollars. For the purposes of this
8 paragraph, "Arizona income tax liability due on the taxpayer's return" means
9 the amount of tax due on the return minus the amount of Arizona income tax
10 withheld and tax credits claimed by the taxpayer.

11 E. The department shall make available suitable forms and instructions
12 to taxpayers who make estimated tax payments pursuant to this article.

13 Sec. 37. Section 43-582, Arizona Revised Statutes, is amended to read:
14 43-582. Payment of estimated tax by corporations; penalty;

15 forms

16 A. A corporation that is subject to the tax imposed by this title
17 shall pay estimated tax during the corporation's taxable year if the
18 corporation's tax liability under this title for the taxable year is at least
19 one thousand dollars. The tax liability under this title is the excess of
20 the tax imposed by section 43-1111 over any tax credits allowed by this
21 title.

22 B. Except as otherwise provided in this section, the amount of the
23 required annual payment is the lesser of:

24 1. Ninety per cent of the tax shown on the return for the taxable year
25 or, if no return is filed, ninety per cent of the tax for that year.

26 2. One hundred per cent of the tax shown on the corporation's return
27 for the preceding taxable year, except that this paragraph does not apply if:

28 (a) The preceding taxable year was not a taxable year of twelve
29 months.

30 (b) The corporation did not file a return for the preceding taxable
31 year showing a liability for tax.

32 C. The required annual payment under subsection B of this section for
33 a large corporation is the amount prescribed by subsection B, paragraph 1 of
34 this section except for purposes of determining the amount of the first
35 required installment for the taxable year. Any reduction in the first
36 installment by reason of this subsection shall be recaptured by increasing
37 the amount of the next required installment determined under subsection B,
38 paragraph 1 of this section by the amount of the reduction. For THE purposes
39 of this subsection, "large corporation" means a corporation or unitary group
40 of corporations if the corporation, or a predecessor corporation, had federal
41 taxable income of one million dollars or more for any of the immediately
42 preceding three taxable years, excluding any federal net operating loss or
43 capital loss carrybacks or carryovers.

1 D. The required annual payment for an S corporation, as defined in
2 section 1361 of the internal revenue code, is the lesser of:

3 1. The amount determined under subsection B, paragraph 1 of this
4 section.

5 2. The sum of:

6 (a) The amount determined under subsection B, paragraph 1 of this
7 section for the portion of the tax liability under this title that is
8 attributable to built in gains income or certain capital gains income.

9 (b) One hundred per cent of the tax liability under this title that is
10 attributable to excess passive income on the return of the S corporation for
11 the preceding taxable year.

12 E. For THE purposes of subsection D of this section:

13 1. The requirement that the S corporation's return for the previous
14 taxable year show a liability for tax related to excess passive income does
15 not apply.

16 2. Subsection D, paragraph 2 of this section does not apply if the
17 preceding taxable year had fewer than twelve months.

18 F. Four installments of payments of estimated tax are required each
19 taxable year. The due dates for the installments are the due dates
20 prescribed by section 6655 of the internal revenue code. Unless otherwise
21 prescribed by this section, the amount of each installment payment is
22 twenty-five per cent of the required annual payment, but a lower required
23 installment payment, as established and in the manner prescribed by section
24 6655 of the internal revenue code, applies if the lower installment is less
25 than twenty-five per cent of the required annual payment. If a taxable year
26 begins on a date other than January 1, the installment payments are due
27 during months of that fiscal year that correspond to the prescribed months of
28 a calendar year.

29 G. If a taxpayer fails to pay the full amount of estimated tax, or any
30 required installment, under this section, the taxpayer is subject to a
31 penalty, as prescribed by section 42-1125, subsection P- Q. For THE purposes
32 of this subsection:

33 1. The amount of underpayment is the excess of the required
34 installment payment over the amount, if any, of the installment paid on or
35 before the due date for the payment.

36 2. A payment of estimated tax shall be credited against unpaid
37 required installment payments in the order in which the installments are
38 required to be paid.

39 H. The department shall:

40 1. Apply this section to taxable years of less than twelve months
41 according to the treasury regulations for section 6655 of the internal
42 revenue code.

43 2. Adopt rules that are necessary to administer and enforce this
44 section.

1 3. Make available suitable forms and instructions to taxpayers that
2 make estimated tax payments pursuant to this section.

3 Sec. 38. Section 48-5103, Arizona Revised Statutes, is amended to
4 read:

5 48-5103. Public transportation fund

6 A. A public transportation fund is established for the authority. The
7 fund consists of:

8 1. Monies appropriated by each municipality that is a member of the
9 authority or the county, if it elected to enter into the authority. Each
10 member municipality and member county shall appropriate monies to the public
11 transportation fund in an amount determined by the board.

12 2. Monies appropriated by a county that has not elected to enter into
13 the authority in an amount determined by the county board of supervisors.

14 3. Transportation excise tax revenues that are allocated to the fund
15 pursuant to section 42-6104 or 42-6105. The board shall separately account
16 for monies from transportation excise tax revenues allocated pursuant to
17 section 42-6105, subsection E, paragraph 3 for:

18 (a) A light rail public transit system.

19 (b) Capital costs for other public transportation.

20 (c) Operation and maintenance costs for other public transportation.

21 4. Monies distributed under title 28, chapter 17, article 1.

22 5. Grants, gifts or donations from public or private sources.

23 6. Monies granted by the federal government or appropriated by the
24 legislature.

25 7. Fares or other revenues collected in operating a public
26 transportation system.

27 ~~8. Local transportation assistance monies that are distributed to each~~
28 ~~member under section 28-8102 and as provided in section 48-5104.~~

29 ~~9. Local transportation assistance monies that are distributed to a~~
30 ~~member pursuant to section 28-8102 and that must be used for public~~
31 ~~transportation.~~

32 ~~10. Local transportation assistance monies that are distributed~~
33 ~~pursuant to section 28-8103, subsection A, paragraph 1.~~

34 B. On behalf of the authority, the fiscal agent shall administer
35 monies paid into the public transportation fund. Monies in the fund may be
36 spent pursuant to or to implement the regional public transportation system
37 plan, including reimbursement for utility relocation costs as prescribed in
38 section 48-5107, adopted pursuant to section 48-5121 and for projects
39 identified in the regional transportation plan adopted by the regional
40 planning agency pursuant to section 28-6308.

41 C. Monies in the fund shall not be spent to promote or advocate a
42 position, alternative or outcome of an election, to influence public opinion
43 or to pay or contract for consultants or advisors to influence public opinion
44 with respect to an election regarding taxes or other sources of revenue for
45 the fund or regarding the regional public transportation system plan.

1 Sec. 39. Section 48-5104, Arizona Revised Statutes, is amended to
2 read:

3 48-5104. Municipality and county participation; withdrawal

4 A. A municipality located in a county eligible to establish an
5 authority may elect to enter into the authority by adopting an ordinance
6 declaring its participation. ~~If an ordinance is adopted, the municipality~~
7 ~~shall annually apply for monies from the local transportation assistance fund~~
8 ~~as provided in:~~

9 1. ~~Section 28-8102 and shall use a portion of those local~~
10 ~~transportation assistance monies for public transportation each fiscal year.~~

11 2. ~~Section 28-8103 and shall use those local transportation assistance~~
12 ~~fund monies as provided in section 28-8103.~~

13 B. ~~If a municipality with a population of less than sixty thousand~~
14 ~~persons is unable to use three fourths of its local transportation assistance~~
15 ~~monies provided pursuant to section 28-8102 for public transportation each~~
16 ~~fiscal year, it shall appropriate any remaining amount of the three fourths~~
17 ~~of its local transportation assistance monies to the public transportation~~
18 ~~fund as provided in section 48-5103. If a municipality with a population of~~
19 ~~sixty thousand persons or more is unable to use one third of its local~~
20 ~~transportation assistance monies provided pursuant to section 28-8102 for~~
21 ~~public transportation each fiscal year, it shall appropriate any remaining~~
22 ~~amount of the one third of its local transportation assistance monies to the~~
23 ~~public transportation fund as provided in section 48-5103.~~

24 ~~C.~~ B. The county may elect to enter into the authority by adopting a
25 resolution declaring its participation. The county shall represent persons
26 residing in the unincorporated areas of the county.

27 ~~D.~~ C. A member municipality or member county may withdraw from the
28 authority at the end of a fiscal year by adopting an ordinance or resolution
29 not later than ninety days before the end of the fiscal year that states its
30 intention to withdraw. The withdrawal from the authority shall not result in
31 the cancellation of a contractual agreement entered into between the
32 withdrawing member and the authority.

33 Sec. 40. Section 48-5314, Arizona Revised Statutes, is amended to
34 read:

35 48-5314. Election on regional transportation plan and excise tax

36 A. The board shall:

37 1. Adopt a twenty year comprehensive multimodal regional
38 transportation plan consistent with the requirements of this article,
39 including transportation corridors by priority and a schedule indicating the
40 dates that construction will begin for projects contained in the plan.

41 2. Request by resolution certified to the county board of supervisors
42 that the issue of levying a transportation excise tax pursuant to section
43 42-6106 be submitted to the qualified electors at a countywide special
44 election or placed on the ballot at a countywide general election. Within
45 six months after receiving a certified copy of the resolution, the county

1 board of supervisors shall either call a special election or place the issue
2 on the ballot of a general election, subject to the requirements of this
3 section.

4 B. The election ballot shall include a description of each
5 transportation element of the regional transportation plan including a
6 separate percentage share and dollar share of the transportation excise tax
7 revenues allocated to each element.

8 C. In addition to any other requirements prescribed by law, the county
9 board of supervisors shall prepare and print a publicity pamphlet concerning
10 the ballot question and mail one copy of the pamphlet to each household
11 containing a registered voter in the county. The mailings may be made over a
12 period of days but shall be mailed for delivery before the earliest date
13 registered voters may receive early ballots for the election. The publicity
14 pamphlet shall contain:

15 1. The date of the election.

16 2. The individual household's polling place and the time the polls
17 will be open.

18 3. A summary of the principal provisions of the issue presented to the
19 voters, including the rate of the transportation excise tax, the number of
20 years the tax will be in effect and the projected annual and cumulative
21 amount of revenues to be raised.

22 4. A statement describing the purposes for which the transportation
23 excise tax monies may be spent as provided by law, including:

24 (a) A summary of the regional transportation plan adopted pursuant to
25 section 48-5309 and subsection A of this section, including a description of
26 each transportation element of the regional transportation plan.

27 (b) A map of proposed routes and transportation corridors of all major
28 transportation projects and public transportation systems.

29 (c) The percentage share and dollar amount of transportation excise
30 tax revenues, together with other identified revenues, dedicated for each
31 transportation element, transportation project and public transportation
32 system, and conditions and limitations on the use of the money.

33 5. The form of the ballot.

34 6. Any arguments for or against the ballot measure. Affirmative
35 arguments, arranged in the order in which the elections director received
36 them, shall be placed before the negative arguments, also arranged in the
37 order in which they were received.

38 D. Not later than ninety days before the date of the election, a
39 person may file with the county elections director an argument, not more than
40 three hundred words in length, advocating or opposing the ballot measure,
41 subject to the following requirements:

42 1. The person who files the argument shall also pay to the elections
43 director a publication fee prescribed by the board of supervisors. Payment
44 of the fee required by this paragraph, or reimbursement of the payor,
45 constitutes sponsorship of the argument.

2. If the argument is sponsored by one or more individuals, the argument shall be signed by each sponsoring individual.

3. If the argument is sponsored by one or more organizations, the argument shall be signed by two executive officers of each organization.

4. If the argument is sponsored by one or more political committees, the argument shall be signed by each committee's chairperson or treasurer.

5. The names of persons who have signed arguments and the names of sponsoring organizations shall appear with the argument in the pamphlet. The person or persons signing the argument shall also give their residence or post office address and a telephone number, which shall not appear in the pamphlet.

E. In addition to any other ballot requirements prescribed by law, the elections director shall cause the following to be printed on the official ballot:

1. The designation of the measure as follows: "Relating to county transportation excise (sales) taxes".

2. Instructions directing the voter to the full text of the official and descriptive titles containing the summary as printed in the sample ballot and posted in the polling place. The ballot may include the summary of the regional transportation plan.

3. The questions submitted to the voters as follows:

I. Do you approve the regional transportation plan for _____ county? YES _____ NO _____

(A "YES" vote indicates your approval of the proposed regional transportation plan as developed by the regional transportation authority and described in the election materials.)

(A "NO" vote indicates your disapproval of the proposed regional transportation plan.)

II. Do you favor the levy of a transaction privilege (sales) tax for regional transportation purposes in _____ county? YES _____ NO _____

(A "YES" vote has the effect of imposing a transaction privilege (sales) tax in _____ county for _____ years to provide funding for the transportation projects contained in the regional transportation plan.)

(A "NO" vote has the effect of rejecting the transaction privilege (sales) tax for transportation purposes in _____ county.)

F. For either ballot question I or II to be approved, both the proposed regional transportation plan and the proposed transaction privilege tax must be approved by a majority of the qualified electors voting on the measure. If either ballot question I or II fails to be approved by a majority of the qualified electors voting on the measure, both fail.

1 G. Except as otherwise provided by this section, the election under
2 this section shall be conducted as nearly as practicable in the manner
3 prescribed for general elections in title 16.

4 H. The county election officer shall account for costs specifically
5 incurred with respect to the ballot issue under this section. ~~Regardless of~~
6 ~~the outcome of the election, and notwithstanding any other law, the state~~
7 ~~treasurer shall pay the costs listed in this subsection specifically incurred~~
8 ~~with respect to the ballot issue. Payment shall be made under this section~~
9 ~~from the cities' share of local transportation assistance fund monies~~
10 ~~distributed under section 28-8102 to the cities and towns within the county,~~
11 ~~and from the county's share of the county assistance fund under section~~
12 ~~41-175. If the transportation excise tax is approved, the regional~~
13 ~~transportation authority shall reimburse the local transportation assistance~~
14 ~~fund and the county assistance fund from the first received transportation~~
15 ~~excise tax revenues. The following costs incurred by the county elections~~
16 ~~officer are authorized for payment pursuant to this subsection:~~

17 ~~1. Costs of mailing, publishing, posting and printing ballots,~~
18 ~~publicity pamphlets, notices, election materials and other matters concerning~~
19 ~~the election.~~

20 ~~2. Legal and other consulting fees and costs relating to the election.~~

21 ~~3. Telecommunications costs.~~

22 ~~4. Compensation of the election board, county election officers and~~
23 ~~employees and other labor costs incurred to administer, hold, canvass and~~
24 ~~announce the results of the election.~~

25 ~~5. Any other costs attributable to the election.~~

26 Sec. 41. Existing transaction privilege tax licensees; license
27 renewals; intent; exemption from rule making;
28 retroactivity

29 A. Notwithstanding section 42-5005, Arizona Revised Statutes, the
30 director of the department of revenue may prescribe by rule and levy a
31 one-time transaction privilege tax license renewal fee for all persons who
32 have a valid transaction privilege tax license issued before July 1, 2009.
33 Notwithstanding section 42-5005, Arizona Revised Statutes, the director may
34 prescribe by rule a fee for any new licenses issued from and after the
35 effective date of this act until June 30, 2011. The director shall designate
36 the method for payment of the license fees prescribed pursuant to this
37 section.

38 B. It is the intent of the legislature that the additional revenue
39 generated by the transaction privilege tax license fees authorized in this
40 section not exceed \$5,384,000 in fiscal year 2010-2011.

41 C. The department of revenue is exempt from the rule making
42 requirements of title 41, chapter 6, Arizona Revised Statutes, for eighteen
43 months after the effective date of this act for the purposes of establishing
44 the transaction privilege tax license fees authorized by this section.

1 Sec. 42. Fees for providing services; increases; intent;
2 appropriations; exemption from rule making;
3 retroactivity

4 A. Notwithstanding any other law, except as provided in subsection D,
5 the director of each of the following agencies may increase fees in fiscal
6 year 2010-2011 for services provided in fiscal year 2010-2011:

- 7 1. Department of health services.
8 2. Office of pest management.
9 3. Radiation regulatory agency.
10 4. State land department.

11 B. It is the intent of the legislature that the additional revenue
12 generated by the fee increases shall not exceed the amounts listed below:

- 13 1. Department of health services \$600,000.
14 2. Office of pest management \$525,000.
15 3. Radiation regulatory agency \$500,000.
16 4. State land department \$600,000.

17 C. Monies received from any fees pursuant to subsection A are
18 appropriated to the respective agencies.

19 D. The state land department may not increase a fee pursuant to
20 subsection A for a recreational permit issued by the department.

21 E. The agencies described in subsection A are exempt from the rule
22 making requirements of title 41, chapter 6, Arizona Revised Statutes, for the
23 purpose of establishing fees pursuant to this section until July 1, 2011.

24 F. This section is effective retroactively to from and after June 30,
25 2010.

26 Sec. 43. Abandoned vehicle fees; intent; exemption from rule
27 making; retroactivity

28 A. It is the intent of the legislature that the additional revenue
29 generated by the abandoned vehicle fees authorized by section 28-4802,
30 Arizona Revised Statutes, as amended by this act, not exceed \$12,061,200 in
31 fiscal year 2010-2011.

32 B. The department of transportation is exempt from the rule making
33 requirements of title 41, chapter 6, Arizona Revised Statutes, for eighteen
34 months after the effective date of this act for the purposes of establishing
35 abandoned vehicle fees pursuant to section 28-4802, Arizona Revised Statutes,
36 as amended by this act.

37 C. This section is effective retroactively to from and after June 30,
38 2010.

39 Sec. 44. Department of transportation; vehicle license tax;
40 transfer; five-year registration

41 Notwithstanding any other law, the difference between the actual amount
42 of vehicle license tax revenue collected in fiscal year 2010-2011 as a result
43 of a five-year registration period and the amount that would have been
44 collected in fiscal year 2010-2011 if those same vehicles had been registered
45 for a two-year vehicle registration period authorized pursuant to section

1 28-2159, Arizona Revised Statutes, for distribution to the state highway fund
2 pursuant to section 28-6538, subsection A, paragraph 1, Arizona Revised
3 Statutes, shall be deposited in the state general fund.

4 Sec. 45. Arizona state lottery proceeds; fiscal year 2009-2010;
5 transfer; deposit; tax withholding; retroactivity

6 A. Notwithstanding section 5-522, Arizona Revised Statutes, for fiscal
7 year 2009-2010, any monies that are allocated to the following funds under
8 the lottery distribution specified in section 5-522, Arizona Revised
9 Statutes, shall be deposited in the state general fund:

10 1. The county assistance fund established by section 41-175, Arizona
11 Revised Statutes.

12 2. The local transportation assistance fund pursuant to section
13 28-8101, subsection D, Arizona Revised Statutes.

14 3. The local transportation assistance fund pursuant to section
15 28-8101, subsection E, Arizona Revised Statutes.

16 4. The Arizona state parks board heritage fund pursuant to section
17 41-502, Arizona Revised Statutes.

18 B. This section shall not be construed to reduce or change the
19 priority of distributions prescribed in section 5-522, Arizona Revised
20 Statutes, to any of the funds that are not specified in subsection A of this
21 section.

22 C. Any lottery monies that have been distributed pursuant to section
23 5-522, Arizona Revised Statutes, to the funds specified in subsection A of
24 this section on or after February 1, 2010 until the effective date of this
25 act shall be transferred on or before May 31, 2010 to the Arizona state
26 lottery for deposit, pursuant to sections 35-146 and 35-147, Arizona Revised
27 Statutes, in the state general fund. If monies have not been transferred on
28 or before May 31, 2010 pursuant to this subsection from distributions made to
29 the funds specified in subsection A, paragraph 1, 2 and 3 of this section,
30 the Arizona state lottery director shall notify the state treasurer of the
31 amount owed and the treasurer shall withhold the amount, including any
32 additional interest as provided in section 42-1123, Arizona Revised Statutes,
33 from any transaction privilege tax distributions to the city or county. The
34 treasurer shall deposit the withholdings, pursuant to sections 35-146 and
35 35-147, Arizona Revised Statutes, in the state general fund.

36 D. This section is effective retroactively to from and after January
37 31, 2010.

38 Sec. 46. Housing trust fund; transfer

39 If proposition 100 is not approved by the voters at the May 18, 2010
40 special election, notwithstanding section 41-3955, Arizona Revised Statutes,
41 the sum of \$2,173,300 shall be transferred from the housing trust fund and
42 deposited in the department of revenue administrative fund and the same sum
43 is appropriated from the department of revenue administrative fund in fiscal
44 year 2010-2011 to the department of revenue.

1 Sec. 47. County transfers; fiscal year 2010-2011; county
2 expenditure limitations

3 A. Notwithstanding any other law, in fiscal year 2010-2011, each
4 county with a population of two million or more persons shall transfer
5 \$28,600,000 and each county with a population of more than eight hundred
6 thousand persons but less than two million persons shall transfer \$6,000,000
7 to the state treasurer for deposit in the state general fund.

8 B. Notwithstanding any other law, a county may meet any statutory
9 funding requirements of this section from any source of county revenue
10 designated by the county, including funds of any countywide special taxing
11 district in which the board of supervisors serves as the board of directors.

12 C. Contributions made pursuant to this section are excluded from the
13 county expenditure limitations.

14 Sec. 48. County fiscal obligations

15 Notwithstanding any other law, for fiscal years 2010-2011 and
16 2011-2012, a county may meet any county fiscal obligation from any source of
17 county revenue designated by the county, including funds of any countywide
18 special taxing jurisdiction in which the board of supervisors serves as the
19 board of directors.

20 Sec. 49. Retroactivity

21 Section 41-2306, Arizona Revised Statutes, as amended by this act,
22 applies retroactively to April 1, 2010.

23 Sec. 50. Effective dates

24 A. Sections 5-554 and 5-572, Arizona Revised Statutes, as amended by
25 this act, are effective from and after June 30, 2012.

26 B. Section 42-1129, Arizona Revised Statutes, as amended by this act,
27 is effective from and after February 28, 2011.

APPROVED BY THE GOVERNOR MARCH 18, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 18, 2010.